



# ***JPRS Report***

## **China**

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# China

JPRS-CAR-91-022

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24 April 1991

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## GENERAL

### Global Economy, World Order in 1990's

91CM0311A Beijing RENMIN RIBAO in Chinese  
7 Feb 91 p 7

[Article by He Fang (0149 2455): "Trends in Global Economic Development in the 1990's"]

#### [Text] Period of Major Readjustment and Turbulence for the Global Economy

The 1990's will be a transition period in which new structures will replace old and the global economy will undergo major adjustments. It is also a period which will see various types of upheaval. Starting last year, the global economy began declining, and it will be at a low ebb throughout the first half of the decade. One after another, developed countries have entered a recession or periods of slowed development. General estimates are that this recession has reached its mid-point, and in the second half of this year things will head towards a recovery. However, due to serious imbalances in the global economy which have existed for a long period, and to other structural problems which will be very difficult to solve within a short period, even if developed countries break free from recession, in the next several years they will only be able to maintain a low level of growth. With few exceptions, developing countries will find their difficulties becoming progressively more acute due to the worsening international economic environment. The economic crises of the Soviet Union and Eastern European countries will not disappear soon, and it is probable that these countries will have to endure a comparatively long period of chaos and turbulence. These countries are also actively entering the global economic system, which will undoubtedly have a major impact on global economic production. In addition, new factors acting to restrain the global economy have emerged from within the international economic system. One is the difficulties encountered by international trade. The "Uruguay Round" of talks has suffered a setback which has seriously threatened the GATT [General Agreement on Tariffs and Trade] system, causing protectionism to rear its head. Second, international financial markets are fluctuating, and in particular there is a lack of funds and credit is tight. On the one hand, demand has increased and there is a general feeling that funds are scarce. On the other hand, sources of funds have been reduced. For example, Japan, which purports to have large amounts of funds, is now taking capital out of the United States due to such trends as a reduction in its international balance of payments, the difficult environment facing its stock market and bank credit sector, and a reduction in its capital exports. Germany is also experiencing a fund shortage after absorbing the territory which was formerly East Germany. And finally, there is the effect of the Gulf War on the global economy. Of course, the degree of this effect depends on the scale of the war, its length, and the degree of damage it causes.

However, because the Gulf War is a local war, it cannot fundamentally change the direction of development of the global economy.

Yet we must also consider some positive changes in the global economy that occurred in the 1980's, and the fact that the ability of the global economy to adapt and counter crises has been greatly strengthened. For this reason, it looks as though the recession already underway will not result in a serious crisis, and will not result in a protracted period of contraction. In the latter half of the 1990's, the global economy will move out of its low ebb, and enter a phase where development will reach a level higher than that of the 1980's. At that time, developed countries will return to an economic upswing. Although they will not purely emphasize speed, but rather increase their emphasis on quality and efficiency, the rate of growth cannot be too slow. The U.S. budget deficit, one of the major imbalances in the global economy, also could be progressively alleviated, and this could also help resolve the global fund shortage. The situation of developing countries will improve. In addition to a number of Asian countries that will still be able to maintain a rate of development higher than the average global level, Latin American countries will also see their economies move out of the trough, and their situation could be better than in the 1980's. The prospects for the sub-Saharan African countries remain bleak. After experiencing a long period of turbulence, most of the economies of the Soviet Union and Eastern European countries will gradually achieve either a rapid or slow recovery and development. To sum up, the global economic situation in the latter half of the 1990's will clearly be better than in the first half and, as a whole, the 1990's could maintain a rate of development at a level equal to that of the 1980's, or perhaps even somewhat higher.

The 1990's will also be a transition period for the development of the global economy. In this period, there will be a gradual economic adjustment, changes involving acute growth and decline, large-scale breakups and realignments, and the gradual formation of a new global economic structure and order. On the other hand, there will also be a new technological revolution based on microelectronics and information technology; this will realize major breakthroughs and have wide-ranging effects. The result will be that, at the end of this century or early in the next, the global economy will enter a new, high tide of development, one that will be able to maintain development for a period of nearly 20 years. In fact, every country will view the 1990's as a key period for preparing to grasp the opportunities and welcome the arrival of the new high tide of development in the 21st century.

#### Every Country Will Focus More on Developing its Economy and Science and Technology

During the transition period, the global economy will possess the important characteristics listed below:

1. The focus of international relations is shifting increasingly towards economic concerns. In the wake of the relaxation of military tensions between the United States and the Soviet Union, and the trend in the international situation towards relaxation of tensions, countries will focus more on developing their economies and science and technology, and many countries will put economic security in the leading position when it comes to national security. Economic competition will replace military competition as the focus of international relations; traditional goals and methods will gradually be replaced by economic ones; and global economic effects will be more important than global political ones. The current Gulf War also has clearly touched on economic factors and background related to controlling major natural resource bases. Under the new circumstances, political struggles will become even more complex, and economics and politics will become more and more inseparable. Western countries will do their utmost to increasingly politicize international economic relations, and use economic methods to exert pressure on socialist countries and developing countries and interfere in their domestic politics.

2. There is active adjustment of economic policies and structures. Global economic adjustment is continuously deepening. In order to increase real economic strength, accelerate and stabilize economic development, increase the quality and efficiency of the economy, adapt to developmental change in the global economic situation, and strengthen their ability to compete, countries are actively adjusting their economic policies and structures, and implementing economic system reforms of different types and to different degrees. In the course of adjustment, developed countries and many developing countries are also devoting particular effort to developing science and technology and making scientific and technological competition the focal point of economic competition. To this end, they are reforming their educational systems and paying more attention to fostering talented people and increasing the quality of personnel. It is very clear that, in terms of adjustment and reform, a country can obtain an advantage by holding fast, using the correct approach, and quickening the pace; otherwise it will inevitably fall behind, and this could lead to upheaval.

#### **Internationalization and Collectivization of Economic Activity Accelerates Development**

Economically speaking, the countries of the world are becoming increasingly closely linked, and all are progressively expanding and opening to the outside. They are forced to adapt to the changing development of international economic conditions, and are entering into a unified global economic system more deeply to avoid being isolated outside the system. At the same time, due to individual and common interests, more countries are forming or strengthening various interlocking groups that operated in different forms, on different levels, and are of different sizes, and they are cooperating in economic trade. Both of these trends speed up development.

What attracts particular attention at present is regional bloc formation. In addition to established blocs, which are progressively strengthening their cooperation and expanding their organizations, new regional economic cooperative blocs are constantly springing up. In the 1990's, the world will be able to see the gradual formation of three large regional economic zones: Europe, North and South America, and Asia and the Pacific. Although there is a trend towards bloc formation, there must still be a differentiation between the internal and the external, with preference given to the internal, and the external handled with a certain conservatism. For this reason, countries will demand to participate in regional cooperation, and will refuse to be left out. On the one hand, this bloc formation has a certain exclusiveness: it obstructs free trade, affecting global economic development. On the other hand, the current blocs are for the most part open, and the situation is not the same as it was before World War II. Not only are the blocs beneficial to the economic development of countries within the bloc, they are also beneficial to the development of the global economy; the European Economic Community and ASEAN [Association of South-east Asian Nations] are proof of this. Internationalization is an inevitable trend in the global economy and in the historical development of the human species. Thus bloc formation is a major component and an inevitable stage in the overall course of internationalization.

#### **Imbalances in Global Economic Development Worsen**

First, the North-South gap continues to widen. As a result of the unbalanced international economic order, developing countries continue to find themselves in an extremely unfavorable position. In the 1990's, those most harmed by fluctuations in the global economy will be developing countries. Developed countries shift crises to developing countries, and strengthen economic exploitation and political interference, factors which intensify North-South contradictions daily. At the same time, divisions among developing countries are becoming more evident. Among these countries, there are groups of countries and regions that can hope to gradually reach the level of developed countries; the situations of many countries in Asia and Latin America could take a favorable turn, but they still face many difficulties. The number of countries in the poorest category could still increase. Divisions among developing countries, and the fact that they have certain dependencies vis-a-vis different large countries and blocs, weaken their ability to come together and resist developed countries. Yet the common interests of Third World countries are still important, and their cooperation in international relations will increasingly show the great effect they can have. Second, the East-West gap is also widening. For a short period, the Soviet Union and countries in Eastern Europe will be in gradual decline; it is difficult to say when they will recover. It is particularly necessary to pay attention to the worsening developmental imbalance among developed countries. The United States, in economic competition with Japan and

Germany, will continue to find itself in an inferior position. The decline in its overall national strength and in its ability to affect international affairs cannot be turned around by a victory in the Gulf War.

Many unclear factors exist in the global economy in the 1990's, but one thing is certain: economic competition grows fiercer by the day. During this crucial period, each country must continuously increase its own competitiveness and prepare to meet the new high tide of global economic development and obtain an advantageous position in the new global economic structure.

### Shifts in World Economic Power Discussed

91CM0341A Beijing SHIJIE ZHISHI [WORLD AFFAIRS] in Chinese No 1, 1 Jan 91 pp 20-21

[Article by Xu Shouguan (1776 1108 0385): "The Global Economy, Increasing Sensitivity to Changes"]

[Excerpt] [passage omitted] Many foreign economists believe that if the major developed countries do not institute important adjustments in their macroeconomic policies, the international economic environment will not improve, and the main trends that have already surfaced in the world economy of the 1980's will carry over into the 1990's. Some of these main trends, which are now attracting general attention among economists all over the world, are the following:

—*With the acceleration in scientific and technological progress and in the spread of information, with the expansion of international trade, the increase and faster pace of the flow of capital between countries, especially with the integration of all money markets, and with the ever-broader circle of countries that open up wider to foreign trade, the mutual interconnection and mutual interreliance of countries has been greatly enhanced. An ever-increasing internationalization of economic life has already become a basic characteristic of the world's economy.*

This trend is beneficial in that it promotes the world's economic development, but it is also responsible for two problems. On the one hand, it has rendered the world economy more "sensitive" to changes that might occur, so that a slight ripple somewhere will affect the whole body. For instance, the slump in the U.S. stock market in 1987 and the crisis in the Persian Gulf immediately resulted in global economic disarray. On the other hand, the economy of every single country in the world is much more deeply affected by the restraints imposed on it by the world economy. When deciding on its own economic policy, every country is compelled to consider changes in the world economy, and developing countries with weak economies especially find their room for maneuvering increasingly restricted. All this demands have heightened international economic cooperation and coordination, so as to benefit an upswing in the world's economy and achievement of common prosperity. However, in the 1980's international policy decisions have more and more been monopolized by a small number of the major

economically prominent Western countries. They have coordinated policies merely on the basis of their own needs or the needs of their own groups or blocs, heedless of what consequences these policies might have for the developing countries (for instance, the effect of interest rate increases on debtor countries). Even though in recent years the developing countries have emphatically called at the United Nations for the expansion of the scope and content of international economic policy coordination, with due incorporation of their particular interests, the large countries have turned a deaf ear to such demands. This is a tendency that runs counter to the ever-growing trend toward internationalization.

—*As a consequence of the trend toward internationalization and the unevenness of developments between the developed countries, the previous situation in which the United States was the single "lead engine" in the global economy is receding, and a multipolar trend is becoming evident in the global economic structure. Western Europe, North America, and the Asian-Pacific region have already, or are about to become trade and economic blocs. Each of the three regions is intensifying cooperation within itself in matters of trade, capital, technology, and qualified personnel, particularly in free circulation, thereby enhancing their economic vitality and raising the efficiency of their cooperative mechanisms. This benefits the rapid economic development of these regions and contributes to the growth of the world's economy. It is therefore quite possible to regard the trend toward bloc formation and regionalism as organic components of an intensified progress toward integration in the world's economy. However, this trend also entails the danger of moving toward protectionism, a move that would run counter to the further opening up of the international trade system and to imparting a multilateral character to it. It would reduce fair trade and investment opportunities within a certain region for trading partners outside that particular region, and would easily add to the difficulties of the global flow of capital funds. In recent years, the difficulties encountered at the Uruguay Round of talks exemplify the problem.*

—*Many countries and some economic blocs, to different degrees, readjusted their economic structures and economic policies in the 1980's and have thereby brought about a global trend of economic readjustments. Regardless of the reasons for their adjustments, also regardless of differences of scope and character of these adjustments, they all are facing pressures for further readjustments. This process will continue at least into the first half of the 1990's. Generally speaking, these adjustments will urge further opening up in the economies of all the various countries and provide opportunities for mutual benefits. However, the adjustment process is also accompanied by hardships, and the various countries are meeting serious challenges. The developing countries have to bear an especially heavy burden in these adjustments. After the debt crisis of 1982, in order to gain financial support from the International Monetary Fund and the World*

Bank, they were compelled to accept harsh terms, including currency devaluations, cutbacks in their demands, reductions in subsidies and public expenditures, sale of unprofitable state enterprises to the private sector, instituting market mechanisms, and so on. Practice has shown that these adjustments could only be temporarily effective, and frequently sacrificed long-term interests. Recently, the Western countries have again raised the political demand for "structural democratization," which in fact amounts to the proposition of forcing their own economic patterns and value concepts on the Third World countries, thus interfering in the internal political affairs of other countries. The developing countries have criticized these moves and have tried at the same time to explore developmental roads that would be suited to their specific national conditions. They will most likely continue these explorations in the 1990's.

*—In the last few years, changes in the East-West relationships have introduced new elements of complexity into international economic relations. It remains to be seen what effects these changes will have in the end on the growth of the world economy, especially on the economic development of the developing countries, and on international economic cooperation.* At present, a conspicuous problem has arisen from the structural reforms in the Soviet Union and in the East European countries, their transitions to market economies, and their requirements of huge amounts of capital. This is bound to affect the flow of capital in the international money market. At the same time, the economic difficulties of the United States, Germany's unification, and Japan's economic transformation will increase demand for capital funds and cause a shortage of supply as far as international funds are concerned. The developing countries are therefore deeply concerned about the possibility of unfavorable effects resulting from the changes in East-West relations. They repeatedly emphasize that these changes must not weaken solicitude for their difficulties. Assistance to them in their recovery and development must be a major item on the agenda of international economics and the nucleus of international economic cooperation.

*—The swift progress in the scientific and technological revolution is presently playing an important role in the economic growth of the developed countries and of world economy, and also in the rapid growth of some developing countries and in raising their economic structures to higher levels of efficiency.* This is a positive element which causes many people to cherish hopes for the 1990's. However, as far as the majority of developing countries are concerned, they will only be able to remain "bystanders" at the scientific and technological revolution, because they lack the basic conditions for scientific and technological development and lack the financial and manpower resources to obtain technology transfers. The challenges posed by technological progress are far greater than the opportunities that this progress will provide to them. This is also a major reason why the North-South disparity will widen further. If there is no effective international cooperation in the 1990's, and if no advanced technologies are transferred to the developing countries at preferential terms, to strengthen their capabilities in the industrial, agricultural, service, and information sectors, the North-South disparity will further expand, and the structural imbalance in the world economy will be further aggravated.

*In the last few years, environmental problems are receiving increasing international attention.* During this century, there have been a tenfold increase in global economic activity and a threefold increase in population, and this has created an ever-increasing pressure on the environment. In the past, people have paid attention only to the unfavorable environmental effects of economic development. Now, people, going one step further, are realizing that the trend of environmental deterioration casts a shadow over the economic prospects of the whole world. For instance, global atmospheric warming and damage to the ozone layer are creating serious dangers for agriculture all over the globe, and people, therefore, recognize that the environmental problem is also an economic problem. The United Nations has decided to call in 1992 a conference on the environment and development, in order to formulate "a strategy and measures to stop and reverse the deterioration of the environment."

### Article Urges Ideological Monism, Attacks Pluralism

91CM0293A Shanghai SHEHUI KEXUE [SOCIAL SCIENCES] in Chinese No 1, 15 Jan 91 pp 45-48

[Article by Fang Chaohui (2455 2600 2547), Fudan University Philosophy Department: "Questioning the Theory of Pluralism of Values—Also a Discussion on the Main Mission in China's Present Cultural Development"]

[Text] The advocacy of pluralism has been quite prevalent within Chinese ideological circles in recent years. The main idea is that in a good society many different or opposing value systems should exist side by side, and that in ideological circles we should vigorously promote the appearance and development of many different and even opposing social and academic viewpoints. According to this way of thinking, pluralism is a sign of democracy and monism is a sign of dictatorship. This seems quite reasonable and appears to be in line with the policy of "letting a hundred flowers bloom and a hundred schools of thought contend," but when you examine the issue more closely it turns out otherwise. This article takes a critical look at pluralism from a completely new cultural perspective, and arrives at some completely new conclusions.

#### I

There are three periods in Chinese history in which the pluralism sought by the pluralists existed: One was the Spring and Autumn/Warring States period; a second was during the time of the Wei, Jin, and North and South dynasties; and the third was the period of more than 100 years following the first Opium War. Although a movement toward ideological liberation arose during the late Ming and early Qing dynasties, the main thinkers in this movement were concerned primarily with opposing the Confucian philosophy of the Song and Ming dynasties. Their ideology did not truly move beyond the pale of Confucianism, and its influence was limited to ideological circles; it did not actually affect the entire society's foundations. When you review the three periods which were characterized by pluralism, you discover a common denominator: The nation was splintered, the central regime never lasted long, the entire nation was in chaos, civil wars raged ceaselessly, and the people suffered immensely. On the other hand, although the societies of Europe and the United States during those time periods are widely regarded by Chinese scholars as having exhibited pluralism, the truth is that their societies were in perfect order and they had sound legal systems; they were not going through anything like the upheavals that were wracking China. So why was Chinese society so different from those of Europe and the United States even though all of these societies were characterized by pluralism? Let us put aside all questions of sociopolitical and historical background and analyze the cause of the aforementioned dissimilarity solely from the perspective of values.

There are two levels to a society's value system: one is the surface level and the other is the deep level. Surface values are seen in the visible ideological developments in a society. We can divide these ideological conditions into two types: monism and pluralism. For example, in the Spring and Autumn/Warring States period society's surface values were pluralist, but they had turned to monism by the time of the Western Han dynasty. The surface values of Western society during the medieval period were characterized by monism, but by the time of the Renaissance they were moving toward pluralism. Deep-level values are seen in the impression left in the hearts and minds of men by the long-term development of culture. Deep-level values are reflected in people's everyday lives by means of behavioral norms, thought processes, customs, and rituals, and above all, in the people's moral and legal concepts. They form the cultural and psychological foundation of society. The difference between China's periods of pluralism and those of the West lies mainly in deep-level values. In contemporary Western society, although surface values and even different political factions exist side by side, deep-level values are united (i.e.—they are monistic) rather than pluralistic. Deep-level values manifest themselves in the fact that people at all levels of society in the developed nations of contemporary Europe and the United States, as the products of the long process of cultural and psychological development in the West, have accepted in their hearts the concepts of law, democracy, and human rights. They not only believe intellectually that these concepts make sense, but they demonstrate an active behavioral pattern of respect for the law and human rights. To put it in philosophical terms, relatively good moral and legal core concepts have appeared. From this it is apparent that pluralism in contemporary Europe and the United States exists only at the surface level; deep-level values are monistic. In China's case, however, during the aforementioned three periods of pluralism, values were pluralistic not only at the surface but also at the deep level. It was not like in the West, where there was a deep-level monism. During the aforementioned three periods of pluralism in China, as the traditional centralized regimes disintegrated, broad, deep, and longlasting iconoclastic ways of thought took root in ideological circles. The concepts of propriety and morality as well as the value systems and legal consciousness that had long governed daily lives met with fierce resistance. A direct consequence was a serious disregard for the aforementioned moral and legal core concepts. In this type of society, the instinctive human desires came to govern all values, while people scoffed at all sense of morality, responsibility, and respect for the law. Generally speaking, deep-level values during these periods took the following forms: First, personal character often fell by the wayside, and everywhere there were people without any sense of morality or law. Second, some people held on to the personal character that had been present in earlier times. This was particularly true of some diehard intellectuals and people from other walks of life who yearned for the values of the past. Third, many people were of contradictory character.

This was particularly true of some progressive intellectuals. On the one hand they felt extreme contempt for traditional culture and its norms and concepts, and they leaned to and believed in new values and norms. At the same time, however, in their own lives they displayed at all times a deep nostalgia and unconscious respect for traditional values and norms. In his book *The Crisis of Chinese Consciousness* (which has been translated into Chinese as *Zhongguo Yishi de Weiji*), American professor Lin Yusheng analyzes in great detail and depth this contradictory phenomenon among intellectuals since the May 4th Movement.

Thus we see why the phenomenon of pluralism in China is always associated with serious chaos and upheaval, while this association is not made in Europe and the United States. The reason is that during periods of pluralism in Europe and the United States, deep-level monism has not been threatened. This is because the universal existence of a moral and legal entity has prompted people to advocate the necessity of a certain social "compact" even though they may get involved in various polemics over different concepts. No matter how great the difference between various ways of thought, it has not led to direct rejection of current social norms (such as legal and moral concepts). The pluralization of surface-level values has not led to the pluralization of deep-level values in the West, and it is precisely for this reason that pluralism, no matter what form it has taken, has not destroyed the cultural and psychological foundation (i.e.—the monism of deep-level values) upon which society depends for stable existence and development; on the contrary, this pluralism has greatly stimulated social prosperity and progress. In China, however, the situation has been very different. During the three aforementioned periods of pluralism, the pluralization of surface values has led to the pluralization of deep-level values, which has caused all of society to lose the social and psychological foundation upon which its stable existence and development depended. In a society where nearly all sense of propriety, shame, morality, and law was lost, it was difficult to hope for a stable political situation. Because the people looked upon law as weeds and regarded morality as dirt, it was not easy to put good social or political ideals into practice. Base desires ran amuck, greed and corruption spread everywhere, and all of society from top to bottom lost any belief that was more than utilitarian. The lofty ideal of struggling for one's ideals disappeared. In this social context, not only did the plurality of surface values fail to bring about democracy and the rule of law, it greatly exacerbated social chaos. This is the main reason why the advocacy of pluralism during the aforementioned periods in China has inevitably been accompanied by serious chaos and upheaval.

## II

From the situation described above it is apparent that surface-level values and deep-level values should be mutually complementary. If you only have a plurality of surface-level values, but you lack monistic deep-level

values, social chaos is inevitable. Only when surface plurality and deep-level monism are combined can society be stable and prosperous. The fundamental error of the pluralists is that they concern themselves only with an abstract call for pluralism, but they are not aware of the distinction between surface-level values and deep-level values. The result is that their one-sided calls for pluralism bring two unhealthy consequences. First, social norms, customs, rituals, morals, and legal concepts are destroyed, and this leads to the pluralization of deep-level values. Second, they do not know how to build up a new deep-level monism, and they seriously overlook the deep significance of building a moral and legal core concept. Thus, this type of pluralism can only give birth to destructive social forces and bring on more and more negative consequences, thereby eliciting greater and greater disgust. Apart from this aspect, pluralists believe that monism must inevitably lead to dictatorship and that pluralism brings democracy. This is a one-sided view. They are ignorant of the fact that even in democratic societies pluralistic surface values must rest on a foundation of monistic deep-level values, otherwise democracy cannot be achieved. In a society under dictatorship, of course, surface values and deep-level values are both monistic, and deep-level values are always suppressed by surface values. This has always seriously retarded the development of the entire culture. Pluralists place pluralism and monism in absolute opposition to each other. They apparently do not realize that in any good society pluralistic surface values and monistic deep-level values are complementary. On the one hand, deep-level monism provides surface pluralism with the necessary foundation; at the same time, surface pluralism provides deep-level monism with vitality, and it stimulates further societal prosperity and development. Monism that lacks surface pluralism can only lead to totalitarian dictatorship, while pluralism which lacks deep level monism can only lead to serious social chaos.

We have discovered that in many societies throughout history which have lived under dictatorship, the rulers have always tried every way possible to achieve surface and deep-level monism. They have always been acutely aware that if they only achieved surface monism without achieving deep-level monism, people would only pay lip service to monism, which would lead to all sorts of factors that would be disadvantageous to their dictatorial rule. Many dynasties in Chinese history (the Qing dynasty, for example, which threw huge numbers of writers into prison) and Europe's medieval period are both examples. However, because in a society under a dictatorship the rulers always try every means available to use surface values to suppress deep-level values, the deep-level monism that is rooted in people's minds collapses. One inevitable result is that monism is displayed in surface values while an opposing pluralism appears in deep-level values. People have no choice but to give the appearance of faith in the officially provided value system, but in their hearts they believe in values that are diametrically opposed, and in their actions they

always "give outward compliance but passive resistance." This opposition between surface and deep-level values is an important sign of fundamental crisis. China's late Western Zhou, late Eastern Han, late Ming-early Qing, and late Qing periods are all examples of this situation. In addition, in the West the late medieval society as well as the 100-200 years following the Renaissance are also examples of this situation. In this type of society, because the pluralism of deep-level values leads to more and more pronounced opposition to surface values (ideology), social crises can break out at any provocation because of the impact of many different internal and external factors. This situation can lead to the disintegration of the entire traditional dictatorial society, which then slips into true chaos and disunity. This was the case with China's Spring and Autumn/Warring States period, the Wei, Jin, and Northern and Southern dynasties period, the more than 100 years following the first Opium War, and the several hundred years of upheaval in the West from the 16th to the 19th centuries. The common denominator of values in these periods is the fact that not only are deep-level values pluralistic, but surface values also show serious pluralism, which causes society to lose the cultural and psychological foundation upon which it relies for stable development. This makes it extremely difficult for such societies to extricate themselves from chaos; it has always taken hundreds of years. One of the most important factors in escaping chaos is the reestablishment of deep level monism, which means the reestablishment of a values core concept (including moral and legal core concepts). A society cannot achieve true stability without going through this process. When the first emperor of the Qin dynasty "burned the books and buried the scholars" after uniting the other six states through military conquest, he neglected to reestablish a deep-level unity of values, and his state soon fell. In contrast, the wisdom of the emperor Han Gaozu (Liu Bang) and the emperor Tang Taizong (Li Shimin) lies in the fact that they regarded the support of the people, not strongarm policies, as the key to long and peaceful rule. They adopted the policy of "giving the people a chance to recover,"

thereby enabling the people to find contentment in their daily lives. In so doing, these emperors restored the morality and law-abiding consciousness of earlier times and reaped the concrete rewards of reestablishing deep-level monism. However, we have also discovered that when reestablishing deep-level monism you can be working toward one of two different goals, one being a dictatorial society, the other a democratic society. When the former path is taken, the establishment of deep-level monism very quickly leads to surface monism, which then, in the form of a surface value system, is used to suppress deep-level values. The result is a return to a dictatorial society. This was the case with many of China's feudal dynasties. When the latter path is taken, the establishment of deep-level monism and the establishment of political democracy proceed simultaneously, and after a period of struggle the two form a healthy coexistence and act upon each other in a complementary way, and order is established throughout the nation. The modern and contemporary history of the West is an example of this situation. We have seen that it is very difficult to build the type of democratic society described above. On the one hand, building deep-level monism (i.e.—building the cultural and psychological foundation of a democratic society) is not just a matter of education or ideological propaganda; it has always required the close coordination of various social, political, economic, cultural, and legal factors. On the other hand, in a social milieu where deep level monism is lacking, no system is likely to perform well, and once the foundation of deep-level monism becomes impossible to establish, the realization of any social ideals becomes an impossibility. There is one final thing worth noting. No matter which of the two aforementioned paths a society takes, the object is to establish deep-level monism. However, a democratic society and a dictatorial society have very different requirements of the value concepts, so the content of this monism is as different as night and day. At this point we can express the relationship between order or chaos in a society and the state of its values in the following table:

Surface-level Values	Surface-level monism	Surface-level pluralism
Deep-level Values	Autocracy	Democracy
Deep-level pluralism	Serious social crisis Autocracy on the verge of disintegration	massive upheaval



There is a cyclical progression within the social states listed in this table. The sequence is: dictatorship; social crisis/breakup of dictatorship; great national chaos; democracy; dictatorship; etc. Nations go from order to chaos, and from chaos to order. By means of this table we can show more clearly the relationship between a social system and that society's value system.

### III

From the table it is apparent that there is a deep relationship between a society's order (or chaos) and its system on the one hand, and its surface and deep-level values on the other. Although neither a society's prosperity (or decadence) nor its stability (or chaos) are determined entirely by its value system, this value system nevertheless can at the very least serve in the first place as the yardstick by which social progress is measured, and in the second place provide a deep stimulus toward social progress or regression. After the founding of the People's Republic, China built up a strong deep-level monism. This monism was the spiritual fountainhead which enabled the Chinese people in the 1950's and 1960's to selflessly overcome all sorts of difficulties and achieve huge successes. Unfortunately, however, because the policy of letting "a hundred flowers bloom and a hundred schools of thought contend" had not been implemented well, by the eve of the Cultural Revolution ideological pluralism had not been truly established, and the nation moved instead toward surface monism. Soon thereafter surface ideology was used to suppress deep-level values, which led only to an antagonistic deep-level pluralism. Everyone is familiar with the results. Since the beginning of reform and opening up the implementation of a series of measures under the "hundred flowers" policy has enabled a vigorous development of surface pluralism, and academic activity has flourished to an unprecedented extent. However, because the relationship between surface values and deep-level values has not been dealt with properly, efforts to establish surface pluralism have led to the appearance of deep-level pluralism. This deep-level pluralistic chaos has manifested itself in deteriorating social morals, which has led to considerable social chaos. The effect of this chaos on society has been unusually broad and deep, and has led to on-again-off-again development in China's academic community in recent years. In addition to other factors, it is undeniable that this situation is strongly linked to the fact that many people in China's intellectual community have for many years made one-sided calls for pluralism while neglecting to build a deep-level monism. Those pluralists, whose point of departure is their hatred for the unhealthy consequences of surface monism in a dictatorial society, look upon the advocacy of pluralism as "an excellent prescription for the country's illnesses." They believe blindly that pluralism will automatically bring democracy and the rule of law. What they do not realize is that until a deep-level monism (that is, a unified deep-level value system) is established, blind and one-sided advocacy and development of pluralism will not only fail to bring any democracy or rule of law, but

will greatly exacerbate social chaos, thereby extinguishing any ideals of democracy and rule of law. As things stand today, we can no longer afford to make abstract calls for pluralism. We must take as our number-one priority the mission of establishing a deep-level monism that is in step with the requirements of democracy and the rule of law. To rebuild the deep-level value system is to rebuild the core value concepts, including the moral and legal core concepts. Only in this way will there be a sturdy and broad-based social, cultural, and psychological foundation for China's task of socialist modernization.

### Liu Zaifu's Humanistic Literary Theory Criticized

91CM0297A Beijing WENYI LILUN YU PIPING  
[THEORY AND CRITICISM OF LITERATURE AND  
ARTS] in Chinese No 1, 24 Jan 91 pp 41-45

[Article by Liu Qingfu (0491 1987 4395), Fu Xichun (0265 1585 2504), and Liang Zhonghua (2733 0112 5478): "Liu Zaifu's Theory of Humanism in Literature Criticized"]

[Text] Liu Zaifu [0491 0375 1788] has raised a number of influential points on literary character, literary subject, the mainstream in literature in the new period, and other matters in articles published a few years ago. He has put forward some controversial theories, at the heart of which are his humanism and humanistic view of literature. In "Literary Research Should Revolve Around Man," for instance, he touched upon the reform of China's art, literature, and science. He wrote, "A basic element of the current drive to transform art, literature, and science is to replace the concept of 'taking class struggle as the key link' with the concept of socialist humanism and make man the subject."<sup>1</sup> His discourse on the three aspects of the subjective nature of literature in the long article "On the Subjective Nature of Literature" was permeated with humanism and human nature. Referring to the so-called principal in literature, he said, "To put it in everyday language, when a writer gives his subject pride of place, when he gives him the image of the main subject, he is treating a human being as a human being."<sup>2</sup> He said we must "take man as the basis." According to him, "In a fundamental sense, the reason the literary subject has been lost is because the writer has ignored man's position and value."<sup>3</sup> Discussing the subjective nature of the writer, he said, "The true realization of the subjective nature of the writer is precisely the writer's self-realization."<sup>4</sup> And "in the final analysis, the writer's self-realization is the power of love."<sup>5</sup> Ignoring historical conditions and heedless of class analysis, he talked about, trance-like, the obligation of a writer to spread love throughout the world and among all mankind. Referring to the reader-as-the-subject, he said, "The entire process of accepting art is none other than the process of restoring human



nature, the process of restoring to man things that he should have: his dignity, value, and mission."<sup>6</sup> To him, "a deeper meaning of art is in promoting the perfection of human nature."<sup>7</sup> In a speech to the "Symposium on a Decade of Literature in the New Era in China," he came straight to the point, "Literature is essentially humanistic. As soon as it loses its essence of humanism, literature will lose its ability to move." He declared categorically, "Literature today should hold high the sacred banner of socialist humanism. No need to waver at all just because of other people's curses."<sup>8</sup>

The humanism propagated by Liu Zaifu touches upon the nature of humanism, the relations between humanism and literature, the status and role of humanism in literature, and other major matters of principle. He has created serious confusion that needs to be cleared up carefully.

## I

In Liu Zaifu's writings, humanism sometimes refers to humanism in general and sometimes to socialist humanism. So what kind of humanism is he really preaching? As we see it, the kind of humanism he talks about and the kind he actually propagates are not one and the same thing. He pays lip service to socialist humanism. Under the signboard of socialism, however, he is actually proposing abstract humanism, which transcends class and time and is the humanism of the bourgeoisie. It is this kind of humanism that he praised to the sky in "On the Subjective Nature of Literature" and other articles. To Marxists, "there is absolutely no love or hate without cause in this world."<sup>9</sup> In a class society, it is simply impossible to have so-called "human love." Today, internationally we cannot love imperialists and other antisocialist people. Domestically, although exploiters as a class have been destroyed, all kinds of hostile forces still exist. We cannot love people who are corrupt or degenerate, who steal, or who violate discipline and break the law. This is obvious. Yet Liu Zaifu says that the love of some writers "completely transcends material gain. It is pure love, even love for love's sake." "Love for which there is no clear explanation."<sup>10</sup> He also says that the "god that writers emotionally yearn for is none other than love, universal love that links together all human emotions. This kind of love transcends self, blood ties, clan, and national boundaries."<sup>11</sup> If this is not abstract humanism, what is it? Some of Liu Binyan's reportages have been criticized for distorting facts and smearing socialism. Yet Liu Binyan praised the "keynote" in these writings as the "call for human dignity and value." "In the midst of fighting, there is a tremendous concern for man."<sup>12</sup> These facts tell us that the humanism propagated by Liu Zaifu is not socialist humanism at all, but bourgeois humanism.

We do not simplistically repudiate all humanism. Marxism calls on us to analyze and evaluate humanism in detail, historically, and comprehensively. The philosophical basis of bourgeois humanism is the idealist

world outlook and the idealist conception of history. In practice, however, it was the ideological weapon used by the bourgeoisie to oppose feudal rule, and it played a revolutionary role in the struggle against feudal forces and theocracy. Today, progressive elements and progressive writers in capitalist nations who are sympathetic with the working people use humanism to expose capitalist exploitation and oppression of the proletariat, oppose imperialist wars of aggression, preserve world peace, oppose racial discrimination, safeguard the rights of women and children, and protect the environment. Humanism, therefore, is still playing a useful role. What we oppose is the use of humanism by a imperialist reactionary to slander the masses' revolutionary activities and to attack and vilify socialism. True socialist humanism, in our opinion, is not only compatible with Marxism, but, as the moral principle and ethical norm for Marxism, helps harmonize interpersonal relations and build a diverse and rich socialist spiritual civilization. Thus we have been consistently positive in our attitude toward it.

## II

Liu Zaifu's humanism determines his humanistic view of literature.

Liu Zaifu has openly declared the essence of literature to be humanity and humanism, which is rare in China's literary theory. His view of the essence of literature is derived from the proposition that "literature is the study of man." The proposition that "literature is the study of man" explains the relations between literature and man and can be interpreted differently by different people depending on their view of man. It can be interpreted materialistically or idealistically. Idealists of all descriptions (including people whose job is to preach bourgeois humanism) are given to interpreting this proposition in a way that would serve their purposes. Liu Zaifu, for instance, interprets the proposition idealistically, having deliberately humanized it. He writes in "On the Subjective Nature of Literature," "We must not only recognize literature as the study of man in a broad sense, but we must also recognize literature to be the study of man's spirit, his personality, his spirituality." He also says, "Literature is not only the study of the spirit of a certain character, but the study of the spirit based on different characters. This is precisely why literature cannot be removed from the most universal humanistic spirit."<sup>13</sup> Later, in an address to the "Symposium on a Decade of Literature in the New Era in China," he minced no words, "Literature is the study of man not only because the subject of literature is man but also because literature is essentially humanistic." In his opinion, Chinese literature before the new era had lost sight of man as its central purpose, lost its humanistic essence. He said, "Only by restoring the humanistic essence of literature can we give literature boundless vitality amid power. Only then can it go toward the world." Relying on humanism to propel our literature to the world is an obvious expression of the convergence theory. It can only "Westernize" and capitalize our socialist literature.

Liu Zaifu believes that in advocating the subject theory of literature and recognizing humanism to be the essence of literature, he is following the trend of historical development. But his conception of history is faulty. He said, "The movement of social history began on the day mankind was born. It went through the tortuous painful process of man's denial and in the end returns to man himself."<sup>14</sup> This is the concrete expression of the historical formula, "human—nonhuman—human," often referred to by humanists. Instead of considering human history production development history and social development history, he views it as the history of the alienation and restoration of man, which is an idealistic historic conception of history and typical of humanism. Just imagine, can his related humanistic view of the essence of literature be scientific?

Another reason we say his humanistic view of literature is unscientific has to do with his proposition "Literature is the study of man." What this proposition says is that literature takes human life and human character as the objects of portrayal. It cannot and does not shed light on the essence of literature. It does not explain the basic laws of literary creation and literary development or the many complex literary phenomena. This being the case, how can his humanistic view of the essence of literature derived therefrom be scientific? Similarly, it does not explain the laws of literary creation, literary development, and literary criticism. Only the Marxist theory that literature is a special form of social ideology scientifically reveals the essence of literature and explains a string of important theoretical issues such as the social status of literature, its function, and its laws of development.

Given his view that humanism is the essence of literature, Liu Zaifu has wildly exaggerated the status and function of humanism in literature, notably in the following two ways:

1. He proposes that a basic element of the drive to transform modern art, literature, and science is to replace "taking class struggle as the key link" with socialist humanism. To be sure, after socialist transformation won its decisive victory in China and the exploiting class was destroyed as a class, class struggle is no longer the principal contradiction in Chinese society. It is wrong to continue to "take class struggle as the key link." That theory should be replaced. But with what? Since the Third Plenary Session of the 11th CPC Central Committee, the entire party and the whole nation have shifted the focus of their work under the leadership of the CPC Central Committee and gradually formulated and perfected a basic line of one center, two basic points. This is the basic line that has been guiding China's socialist modernization. In effect, the CPC Central Committee has replaced the idea of "taking class struggle as the key link" with the party basic line. However, the party's basic line also tells us that, although class struggle is no longer the principal contradiction in Chinese society, it will continue to a certain extent for a long time to come, especially in the realm of ideology. What Liu

Zaifu is suggesting is different from that of the party. He wants to replace "taking class struggle as the key link" with socialist humanism. This shows that for him humanism is the "key link" and that he wants the literary and artistic community to struggle to bring about humanism. Clearly, this is wrong. Even socialist humanism cannot be considered the key link that guides the entire picture, because socialist humanism is only part of our ethical principles and moral code. It cannot be put in the place of the "key link." This is all the more so for bourgeois liberalization, which is what Liu Zaifu is actually preaching, not socialist humanism, as we explained above. Furthermore, by 1985 the CPC Central Committee's basic line (also referred to at the time as the line in effect since the Third Plenary Session of the 11th CPC Central Committee) had struck root in the hearts of the people; the idea of "taking class struggle as the key link" had been replaced. But Liu Zaifu was still harping on the notion of "taking class struggle as the key link." What was he really trying to replace? The party's basic line? The idea that class struggle will continue to exist in China for some time to come to a certain extent? One cannot but be suspicious.

2. He suggests that our literature today should "hold high the sacred banner of humanism" without hesitation. In effect, he has made humanism the guiding thought, development direction, and objective of struggle for our literature. Clearly, this is wrong. Our literature today, our socialist literature, seeks to serve the people and socialism. To serve the people and socialism is the direction of our literature. Marxism-Leninism-Mao Zedong Thought is the guiding thought for our literature. Demonstrating socialism and patriotism is the keynote of our literature. Thus our literature today can only hold high the banner of Marxism-Leninism-Mao Zedong Thought, the banner of patriotism and socialism. Humanism, even socialist humanism, is neither the guiding thought nor the development direction for our literature. How can it be the banner for our literature today? If we let humanism be the banner that guides the development of our literature, then what direction will it take?

In pointing out Liu Zaifu's error in regarding humanism as the essence of literature and the key link and banner for modern literature, we are not repudiating all humanism in literature. There is indeed a close relationship between humanism and literature. Historically, literature of the Enlightenment, literature of critical realism, and others used humanism as an ideological weapon to analyze and evaluate life, to portray characters, to criticize theocratic rule and feudal autocracy, to expose capitalist evils, and to pursue personal liberation. There have been many great writers and outstanding works, along with major historical limitations, of course. It is not that our socialist society today does not want humanism or care about humanity, human feelings, freedom, or democracy. On the contrary, socialist humanism, whose basis is an economy dominated by ownership by the whole people and collective ownership

and whose ideological cornerstone is the Marxist world outlook and conception of history, has critically inherited the good elements in past humanism and refined them. It differs essentially from bourgeois humanism and is a higher order of humanism. Only a socialist society can achieve the many fine ideals that cannot be realized under an exploitative system, such as the most wide-ranging freedom, equality for the masses, the free and full development of man, and the liberation of mankind; or create the conditions and pave the way for their realization. To carry out socialist humanism, we must combat the remnants of feudalism, misguided behavior that violates humanity, and all evil phenomena, and overcome the indifference to the masses who are not being given enough attention, respect, sympathy, and protection. Since socialist humanistic interpersonal relations as well as a struggle to bring about socialist humanism exist in real life, it should be properly portrayed and have a place in our literary works. Well-written works have an artistic power that is overwhelmingly moving and may even become immortal masterpieces to be passed on from generation to generation. However, socialist humanism is only a part of socialist social life and socialist thinking, and it occupies a relatively low and basic level in the socialist moral order. Only communist morality is the highest order of morality that meets the demand of our time. Even socialist humanism, therefore, cannot be the mainstream of our literary creation or the banner of our literature.

### III

Several years ago, Liu Zaifu propagated humanistic thinking and the humanistic view of literature. That is no isolated phenomenon. We should see that in the world today "humanism" is the imperialists' weapon of choice. Although they oppress and exploit the working people every day, brutally interfere in the internal affairs of other countries everywhere, practice cultural infiltration and peaceful evolution against socialist nations in a thousand and one ways, plot to overthrow socialist regimes, and are involved in the most inhuman deals, they yet have the nerve to vilify socialism as inhuman and unfree and attack us for violating human rights and being inhuman. Opportunists within the international communist movement, including democratic socialists, always use humanism and preach that the interests of all mankind transcend everything else. They try to use humanism to "supplement" Marxism and drum up support for so-called welfare socialism and democratic humanistic socialism in an attempt to transform socialism into something acceptable to the bourgeoisie. All viewpoints and practices that contradict their own brand of socialism are dismissed as undemocratic, inhuman, and dictatorial. This is the grossest distortion and slandering of socialism. Humanism is also resorted to by the "best and brightest among us" who are engaged in bourgeois liberalization. They claim that "man is the starting point for Marxism" and enthusiastically mouth such humanistic slogans as "man is the purpose," "human value," "the loss of human nature," and the

"restoration of human nature." They preach humanism in philosophy, aesthetics, education, and other academic disciplines; promote an abstract theory of human nature and humanism; and propagate the total alienation of socialism, so on, and so forth. They are all targeting Marxist theory and the socialist system.

If we reflect on Liu Zaifu's propagation of humanism in literature and his humanistic view of literature in the context of the wave of antisocialist thinking stirred up by international imperialism, opportunism, as well as people within China engaged in bourgeois liberalization by exploiting humanism, we can see that there is a good deal of similarity between Liu Zaifu's humanistic thinking and the latter group's viewpoints. For all practical purposes, he has joined this antisocialist chorus consciously or not. The consequences are clearly dangerous. If the humanism he preaches becomes reality, then Chinese literature will lose its correct guiding thought and deviate from the direction of serving the people and socialism. In so doing, it will undergo a qualitative change. No longer will Chinese literature educate the people with socialist thought; instead, it will corrode the masses with all sorts of wrong ideas. It will become the hotbed for the growth and proliferation of bourgeois liberalization thought and nurture mass media to encourage social turmoil, ultimately jeopardizing the masses and the cause of socialism. This is no alarmist talk. The fact of the matter is that we have begun to see some of these dire consequences. In response to Liu Zaifu's and others' call for human nature and humanism, some literary works a few years ago described the revolutionary war as inhuman, distorted the history of struggle between the CPC and the KMT [Kuomintang], portrayed the poor peasant revenger as brutal as the landlords' restitution corps, embellished the exploiters, defamed the working people, and preached individualism. These works have bred a good deal of ideological confusion among their readers.

The debate between China's literary and artistic theoretical workers and Liu Zaifu has gone on for several years. It has achieved something in that it has laid bare his serious theoretical errors and their danger. As the anti-bourgeois liberalization struggle intensifies, the ideological front has taken a favorable turn. However, the fact that the debate has not come to an end fully points up the long-term and arduous nature of the struggle against bourgeois humanism, something Liu Zaifu appreciates. He is dug in for a long battle. Addressing the "Symposium on a Decade of Literature in the New Era in China," he said, "Although literature of the new era has consciously called for human feelings, human nature, and humanism, it is still a herculean task to make the concept of humanism widely accepted. To this day, the humanistic view of literature is still often misinterpreted and even attacked. I expect the conflict between socialist humanism and the theory of 'taking class struggle as the key link' to be the most fundamental cultural conflict in this century, one that may continue into the next century."<sup>15</sup> Listen! How determined he is! He is fully prepared. How then can we lower our guard?

It should be pointed out that the on-going struggle is not one between socialist humanism and the theory of "taking class struggle as the key link," as Liu Zaifu claims, because this clash no longer exists. The real struggle is one between bourgeois humanism and Marxism over the theory of class struggle in the field of ideology. What Liu Zaifu does is oppose limited class struggle under socialism and oppose our using class struggle to observe, analyze, and resolve literary and artistic issues in the guise of opposing "taking class struggle as the key link." This struggle "may continue into the next century," Liu Zaifu said. Not so, it will certainly continue into the next century. We must remain clear-headed, raise our understanding of the meaning of struggle, and be prepared for a long battle with bourgeois humanism, one of the cornerstones of bourgeois liberalization, until total victory.

25 October 1990

#### Footnotes

1. *Reflections on Literature*, Renmin Wenxue Chubanshe, 1986 edition, pp. 62-63.
2. *Ibid.*, p. 65.
3. *Ibid.*, p. 77.
4. *Ibid.*, p. 76.
5. *Ibid.*, p. 87.
6. *Ibid.*, p. 86.
7. *Ibid.*, p. 101.
8. "Breakthroughs in and Deepening of Literature in the New Era," RENMIN RIBAO, 8 September 1986, p. 7.
9. *Selected Works of Mao Zedong*, Volume 3, p. 827.
10. *Reflections on Literature*, p. 82.
11. *Ibid.*, p. 161.
12. "Breakthroughs in and Deepening of Literature in the New Era," RENMIN RIBAO, 8 September 1986, p. 7.
13. *Reflections on Literature*, p. 59.
14. *Ibid.*, p. 61.
15. "Breakthroughs in and Deepening of Literature in the New Era," RENMIN RIBAO, 8 September 1986, p. 7.

#### Trend To Criticize Mao Zedong Attacked

91CM0315A Beijing WENYI LILUN YU PIPING  
[THEORY AND CRITICISM OF LITERATURE AND ARTS] in Chinese No 1, 24 Jan 91 pp 56-59

[Article by Mou Guosheng (3664 0948 0524), dated 31 October 1990; Li Xiaogang (2621 1420 0474), responsible editor: "Reflections on 'Criticize Mao Zedong Phenomenon'"]

[Text] A few years ago, some people lashed out in speech and in writing on the argument that criticism also includes "no destruction, no construction" and "destroy first and destroy as you construct." Typical are articles in some books and magazines critical of Comrade Mao Zedong and Mao Zedong Thought that have appeared in the past two or three years. This too is a so-called "phenomenon" and as such cannot but give us much food for thought.

The targets of these criticisms are only too obvious: Mao Zedong Thought (including his thought on art and literature), China's new democratic revolution and socialist revolution, the literary and artistic direction of serving the people and serving socialism, all the way to Comrade Mao Zedong himself. These articles argue that Marxism, ridden with flaws to begin with, was further "feudalized" as it made its way to China. What Mao Zedong and others did was nothing more than select from Marxism tenets useful to themselves, such as "seizure of power" and "armed revolution." Some articles even malign the CPC-led new democratic revolution as the product of Mao Zedong's vindictiveness, claiming that the rebellion in the mode of a peasant uprising was totally irrational. For their own satisfaction, the writers repudiate everything and denounce everything, their sole criterion and value standard being their own personal likes and dislikes. They say Mao Zedong took advantage of the old Chinese penchant for "factionalism." According to these writers, Mao Zedong told the people who their enemy was and who their friend was, claiming that this was the most important issue in revolution. They claim that Mao Zedong's class analysis only resembles Marxism but is essentially "feudal underground gangsterism." Moreover, they contend that, like puppets, hundreds of millions of people simply became Mao Zedong's externalized image. In their collective idiocy, the Chinese allowed themselves to be fooled by this sheer monkey-like character. The revolution neither did away with Ah Q nor got rid of Old Master Zhao. The writers also suggest that what we are practicing is feudalism. We started out by ruling the people with feudalism, graduating to the all-out opposition to capitalism and individualism using feudalism under the banner of socialism before finally restoring the feudal tradition completely. The CPC-led revolution, in their opinion, has interrupted the development of capitalism in China, leaving behind the problems of the peasant revolution. The cultural enlightenment of the bourgeoisie has been severed by the movement to save the nation from extinction, resulting in 60 years of pain and suffering from

1919 to 1979. To them, literature and art are neither an essential part of the superstructure nor an ideology, but the expression of nonrational spirit and feelings. Therefore, we should separate literature and art from politics, removing them far from politics and restoring their "independent" aesthetic nature. Therefore, we should fully endorse spiritual nobility; there are too few, not too many, spiritual nobles in society today. Therefore, it is wrong for writers and artists to learn from workers, peasants, and soldiers, to delve deeply into life, or to transform their ideology. Therefore, our literary and artistic direction of serving workers, peasants, and soldiers, serving the people, and serving socialism actually "aims to stir up political struggle and serves pragmatic purposes," which makes our direction problematic. Therefore, we must reassess Mao Zedong's artistic and literary thought. Thus, Mao Zedong's literary and artistic thought becomes something of a "god," a new spiritual ideology, the sword of Damocles, five knives, high-handed vulgar socialism. It represents a bureaucracy-centered view of literature, a bureaucracy-centered ideology. "Although literary creation in recent years has long cleared the iron bars of the *Talks [at the Yanan Forum on Literature and Art]* and entered a realm of greater freedom and firmer ground, in fact *Talks* is not a mere paper tiger lying in the wilderness of history, its last shreds of dignity being torn away by the hurricane of the times, as some objectivists claim." "That we reassess *Talks* does not mean that the tradition it represents will disappear or has disappeared. On the contrary, it only reminds us that we are still in the shadow of tradition or are still being threatened by it. And this shadow or threat takes a form that is hard to see, which often makes us less vigilant than we should be."

Tightening the noose at every level, consolidating at every step, closing in from every side, and finally waging a war of annihilation. The criticisms are amazingly broad in scope and their emotions are shockingly intense.

These articles of criticism have the following characteristics:

First, their starting point is supposedly "academic," but they discuss major political issues.

For instance, some writings talk about the history of thought. Reviewing the evolution of modern Chinese thought, some writers claim that the merging and intermingling of three things—the desire for "motive force," willpower of "self-importance," and the rationality of being familiar with things present—was what first gave rise to the philosophical world outlook of young Mao Zedong, with its heroism and romanticism. The infiltration of populism, romanticism, and pragmatism seemed to be the most noteworthy characteristic of the early dissemination and development of Marxism in China.

In another example, some articles that are concerned with the history of modern literary discussion declare it their aim to search for the aesthetic nature of literature

and art, only to end up dismissing the core of Mao Zedong Thought on literature and art in one sentence: That it stubbornly insists that literature and art belong in politics, in other words, it stresses the pragmatic political function of literature and art one-sidedly, ignoring the fact that literature and art are essentially aesthetic. This view leads them to conclude categorically that Mao Zedong Thought on literature and art is a "Catch 22." Somewhere along its path of development, modern literary discussion "got lost."

Even when they take direct aim at Comrade Mao Zedong, some articles still use the figleaf of an "academic topic" and claim to be studying what they call a historical, cultural, psychological, linguistic, political, economic, military, literary, philosophical, physiological, or ethnological phenomenon... In the course of "studying" these phenomena, they portray Comrade Mao Zedong as a person who hated and was jealous of his father, as the most typical Chinese-style revenger as well as one who is schizophrenic, draws only on his own personal experiences, is self-boyi [0590 1704 masochistic?], self-destructive mental patient, even likening him to Hitler.

Second, they establish a priori an abstract framework, definition, or theme and then make the object of their criticism fit into it.

Writings on the history of thought take "enlightenment" as their central idea, which they define as a universal, permanent, class-transcending independent spiritual and psychological entity. Then they proceed to use this fuzzy concept, now robbed of its qualitative regularity, to propagate the political, economic, and cultural viewpoints of the bourgeoisie, at the same time using it as a standard to evaluate the major events in modern Chinese history and representative thought. That is how they come up with the idea of "the national salvation movement overpowering the enlightenment." The CPC-led new democratic revolution, which was armed with Marxism-Leninism and Mao Zedong Thought, was simply and one-sidedly summed up as the "national salvation movement," distorting the thoroughly and irreconcilably anti-imperialist and, antifeudal nature of the Chinese revolution. Appealing to the enlightenment theory that embodies the bourgeois views on democracy, freedom, politics, and values, they argue that modern China had one "peasant war" too many and has missed out on a "baptism" in capitalism, thereby rejecting the historical inevitability of China taking the socialist road. They preach that contemporary socialist China should go all the way back to the May 4th Movement and go through another enlightenment.

As for criticisms that purport to talk about the history of modern literary discussion, they seek to "revaluate" Mao Zedong thought on literature and art in the name of discussing the academic characteristics of literature and art. Ignoring the glorious achievements of China's proletarian literary and artistic strategy, they take a contemptuous attitude toward the vast numbers of revolutionary

artistic and literary workers who participate in actual struggle to create beauty and remove ugliness as well as eulogize beauty and reject ugliness through literary and artistic forms; toward the integration of the professional literary and artistic corps with the part-time literary and artistic contingent of workers, peasants, and soldiers; toward the integration of revolutionary romanticism with revolutionary realism, and toward the that the revolution in literary, artistic, and aesthetic theory is at the same time a revolution in literary, artistic, and aesthetic methods.

Third, almost all of these writings propagate so-called new methods by distorting historical materialism, particularly by opposing the class analysis and class struggle.

A long passage in the piece most vehemently critical of Comrade Mao Zedong zeros in on his thesis on the fundamental differences between historical materialism and historical idealism. Other similar writings and articles also reserve their harshest criticism for this brilliant thesis. Their intention is clear, namely to banish the historical objective fact of class struggle beyond the development of history and conceal the clue detected by the people using Marxism-Leninism that could unlock the mystery of history, thereby returning them to confusion and ignorance. In the eyes of the writers of these articles, therefore, the struggle of the slave class against slave-owners, the struggle of the peasantry against the landlord class, and the struggle by the masses led by the proletariat, were all totally irrational, senseless actions, without any progressive meaning. The only exception is the bourgeois revolution. These articles never mention the brutality of the bourgeois revolution, the enclosure movement, in which sheep were given precedence over man, or the vicious crimes of colonists who bought and sold black slaves, let alone the fact that after capitalism had developed into imperialism, the bourgeois reactionaries used gunboats, opium, religion, and capital to commit aggression against, poison, cheat, and exploit the peoples of weak nations. Had the writers had the courage to face up to these historical facts, the real nature of their viewpoints and methods would be exposed for all the world to see.

Some articles cannot be more explicit. Broadly speaking, new literary criticism can be divided into two branches, namely the subject school and the ontology school. While the two groups take different routes, they are closely related. Don't be fooled by their seeming serenity as if they were immersed in the tranquility of a study. In fact, they have reached the realm of methods, concepts, and subjects and are locked in a deep-level contest with once-popular literary theory. In other words, they are scrutinizing Mao Zedong Thought on literature and art from every angle on an academic level. Among all the articles criticizing Comrade Mao Zedong, perhaps nothing uses bourgeois methods more thoroughly than modern psychology and comparative cultural studies. Using these two methods, they psychoanalyze Mao Zedong and trace everything he did in his revolutionary struggles to the fights he had with his father as a youth.

They come up with such things as the "sadistic personality," "Oedipus complex," "psychological prototype," and "attachment to the womb." They suggest that young Mao Zedong's days in Beijing sowed the seeds of humiliation and "gave rise to a tyrannical political personality." They decide that the "main tendency in Mao Zedong's cultural personality was to hate and be jealous of his father, while worshiping him deep down." They attribute his hatred for imperialism and his dislike for intellectuals to his "inferiority complex." Page after page of utter nonsense... it just gets too painful to read. The writers claim to use the "resonance effect in cultural personality to observe their object of discussion." The fact of the matter is that they are gauging the heart of a gentleman with their own mean measure.

Fourth, all these critics have utmost contempt for the Chinese working people, particularly peasants, but talk about capitalism in glowing terms with boundless respect.

Mao Zedong had high praise for peasants and workers in *Talks*, "even though their hands are black and there is cow dung on their feet." This sentence has become the prime target of the critics in recent years. Article after article has ridiculed Chairman Mao Zedong's feelings and attitudes toward the working people. They extend this to mean that when intellectuals with a high consciousness learn from the working people, they are identifying with the feudalism and backwardness of peasants who have not been thoroughly transformed spiritually. They criticize Comrade Mao Zedong's ideas about the people and chastise his "believing in the masses, relying on the masses, and mobilizing the masses" as so-called "populism." They criticize the worker-peasant-soldier direction in literature and art proposed by Mao Zedong and his internationalism—liberating all mankind and supporting the peoples of Asia, Africa, and Latin American in their revolutionary struggles. On the other hand, they admire Westerners from the bottom of their hearts: the English with their gentlemanly bearing, the French with their romantic air, the Germans with their arrogance and self-confidence, and the Americans with their carefree ways and sense of humor. The Chinese, in contrast, are a withdrawn, self-effacing, and miserable-looking lot. Other people have blue eyes, blue culture, blue oceans. These writers love the West so much they even like its dogs and they are not afraid of being perceived as such. They criticize Comrade Mao Zedong for being befuddled about the concept of imperialism. To them, the notion that "imperialism and all reactionaries are paper tigers" is mere fantasy and megalomania. Chen Duxiu [7115 3747 4423] believed in historical determinism but retained elements of humanism and democracy. Not Mao Zedong, who went so far as to "successfully destroy" the enlightenment, individualism, and liberalism. This earned him the bitter hatred of the critics, who advocate "borrowing Western things for Chinese use," that is, wholesale Westernization. Everything is to be imported

from the West—material production, spiritual production, methods of production, ways of life, even political and cultural theories and value systems.

What should be our attitude toward working people, particularly peasants, who make up the bulk of the Chinese people? Where does their future lie? The best and the brightest among us today do not condescend to deal with issues like these. They set their sights on the middle class instead, hoping that it will grow and become strong enough to finally lead China onto the road to capitalism. Perhaps herein lies the heart of this kind of criticism.

Fifth, this kind of criticism also has its special style of writing.

The current crop of articles of criticism share a similarity: they are all glib, cynical, and calculated to please the masses with claptrap.

Instead of proceeding from objective reality and exploring and examining issues matter-of-factly, they seize on a single isolated point that appeals to their subjective feelings and ignore everything else. Some go further by slandering and maligning their targets unscrupulously, practicing idealist deduction in the guise of psychology and comparative culturalism.

Foreign dogmas are in vogue and there is a "new terminology" bombardment. Let them make their case in their own words. "In an instant, Western humanities and natural science of the 20th century tumble down like a flood. There is an explosion of new vocabulary, new terminology, which nobody really understands. And when all the smoke and dust has settled, traditional buildings on hereditary land will have begun to collapse even though no lofty edifices have arisen. The vanguard is full of the spirit of sacrifice. This is because their mission is not to build themselves up but to disrupt and shake up the established order in the academic community so that people will question and feel contempt for traditional authority." The vanguard, it may be said, has done a spectacular job in fulfilling its mission. At one point the voice of Marxism and Mao Zedong became so feeble that it was almost inaudible and the "opinion-shaping" forums were almost all lost. The military flags of the critics could be seen all over China. They should be awarded a medal by people of insight in the West.

Echoing each other, clapping, cheering. Among the thick ranks of critics, not only can we find the vanguard bombing indiscriminately but also "young Turks" laying siege, giving chase, and intercepting. And then there are academic authorities, experienced and astute, acting as their brain-trusters to provide ammunition. If there are still people out there who do not understand how the attack echelon is constituted, all they have to do is take a look at the critical articles of recent years. Their arguments, viewpoints, and methods are cut from the same cloth. They differ only in level, intensity, and language. Some are acerbic, some bitter, some malicious, some biting. Not content with their offense on one front,

that is, attacking with the written word, they also pay much attention to another front, namely, attacking in speech through so-called "academic reports" aimed at directly inciting young students. They exploit the students' desire to learn, their love for novelty, and their confused value system to instill bourgeois thinking in them. They indulge in mutual flattery, praising one another to absurd heights. Lavish compliments on the best and brightest, in particular, have become downright sickening.

The aim of this brief description of the "criticize Mao Zedong phenomenon" is to make us reflect on the issues in earnest and learn some lessons.

How to appraise and approach Mao Zedong Thought, including his thought on literature and art, is a major issue that will help determine where China is headed in the future and help shape socialist artistic and literary development in China. On these issues, our standpoint must be firm and our position unequivocal. On literary and artistic matters, we must remain steadfast to the leadership of Mao Zedong Thought on literature and art. There can be no wavering at all from this principle.

#### **Papers Presented at Mao Zedong Thought Forum**

91CM0259A *Chengdu MAO ZEDONG SIXIANG YANJIU [STUDIES IN MAO ZEDONG THOUGHT] in Chinese No 4, 1990, pp 163-164, 160*

["List of Monographs and Papers From the 'Forum on Mao Zedong Thought and Theory,'" sponsored by Sichuan Provincial Academy of Social Sciences in August 1990; compiled by Zhang Guoxin (1728 0978 2450)]

#### **[Text] Monographs**

*Study of Mao Zedong's Strategic Thought*—Mao Zedong Thought Research Institute, Sichuan Academy of Social Sciences

*Mao Zedong and China's Philosophical Traditions*—Bi Jianheng [3968 0494 2897], Sichuan Academy of Social Sciences

*A Decade of Studying the "Selected Works of Mao Zedong" (Volumes 1 and 2)*—Mao Zedong Thought Research Institute, Sichuan Academy of Social Sciences, Yang Chao [2799 6389], editor in chief, Sichuan Provincial Party Committee, CPC

#### **Papers**

*Important Developments in Mao Zedong's Army-Building Theory Since China's Founding*—Zhang Jiayu [1728 1367 5940], Academy of Military Science

*The Mass Line Is Our Party's Basic Line for Work and the Guiding Method for Science—An Exposition of Studies on Mao Zedong Regarding the Mass Line*—Peng Xueshi [1756 1331 6108], Central Party School, CPC

*Important Developments for Marxist Thought in Comrade Mao Zedong's "Regarding the Correct Handling of Contradictions Among the People"*—Zhao Chuyun [6392 2806 5366], Beijing Acupuncture and Moxibustion Bone Injury Institute; and Xu Yinglin [1776 2019 7792], Beijing Institute of Chinese Medicine

*How To Understand Mao Zedong's Integration of Marxism With Chinese Culture*—Chen Jin [7115 2516], Document Room, CPC Central Committee

*Reflections and Thoughts on the 1952 Proposal for Socialist Thought Transformation*—Huang Jingfang [7806 2529 5364], Manchurian Normal University, and Wang Jing [3769 2533], Changchun Institute of Geology

*Historical Errors and Philosophical Ponderings*—Fan Ruiping [2868 3843 1627] and Yang Xinli [2799 0207 4409], Shandong University

*Choices and Development Trends on China's Socialist Road*—Xu Qingpu [6079 1987 2613], Shandong Normal University

*Major Contradictions and Major Contradictory Aspects of the Water System Tradition Versus Other Systems*—Lin Xiangdong [2651 0686 2639], Shenyang Institute of Chemistry

*Choice in Mao Zedong's Theories on Investigative Research and China's Socialist Road*—Jin Bangqiu [6855 6721 4428], Fudan University

*Methods of Operation and Mao Zedong's Socialist Practice*—Qian Hongming [6929 1347 7686], Shanghai Academy of Social Sciences

*Comparison of and Ponderings on the Socialist Education Movement and the Cultural Revolution*—Wu Zongming [0702 1350 2494], Party School, Shanghai Textile Bureau

*Historical Position of Mao Zedong's Plan for Founding the Country*—Lu Jianjie [7120 0494 2638], Social Science Coalition of Nanjing

*Dialectical Relationship between New Democratic Society and Socialist Society*—Yang Fuxin [2799 4395 2450], Yangzhou Normal Institute, Jiangsu

*Mao Zedong's Theories on China's Socialist Transformation and Industrialization*—Chen Xianchang [7115 6343 2490], Changsha National Defense College of Science and Technology; and Tian He [3944 4421], Hunan Normal University

*Several Problems in Establishing Mao Zedong's Methodology*—Cang Nan [3318 0589], Xiangtan University

*Mao Zedong on Conditions for Realizing the Party's Leadership and Party-Masses Relations in the Socialist Period*—Tang Bingren [0781 4426 0088], Party School, Hunan Provincial CPC Committee

*Implementing the "Double Hundred" [Let a Hundred Flowers Blossom and a Hundred Schools of Thought Contend] Policy Is the Key To Correctly Handling Political and Scholarly/Artistic Relations*—Tang Zhennan [0781 2182 0589], Editorial Department, MAO ZEDONG SIXIANG LUNTAN [MAO ZEDONG THOUGHT TRIBUNE]

*Preliminary Analysis of the Value and Significance of Mao Zedong's Theory and Practice of "Technological Revolution"*—Xia Yuansheng [1115 6678 3932], Editorial Department, MAO ZEDONG SIXIANG LUNTAN [MAO ZEDONG THOUGHT TRIBUNE]

*Preliminary Look at Mao Zedong's Thinking on Bitter Struggle in the Early Period of China's Founding*—Shi Shaolong [4258 1421 7893], Grain Bureau, Shaoyang City, Hunan

*Deng Xiaoping's New Age Military Affairs and Economic Dialectics*—Liang Ping [2733 1627] and Deng Zhugen [6772 4554 2704], Nanchang Army Institute

*Mastering the Use of Marxist Philosophy, That Great Tool of Understanding—A Brief Look at the Philosophical Role of Haozhou's Social and Economic Development*—Wang Huaizhong [3769 2037 1813], Haozhou Committee, Anhui

*The Continuation and Development of Mao Zedong Thought by the Third Generation of Collective Leadership in the CPC*—Ye Qiping [0673 2601 1627] and Hao Fengnian [6787 7685 1628], Party School, Yanan Prefectural CPC Committee

*Distortions and Progress in Socialist Society's Self-Negation*—Zhang Jiangming [1728 3068 2494], Guangdong Social Science Coalition

*Preliminary Look at New Developments in Contemporary Marxism-Mao Zedong Thought*—Yue Ming [1471 2494], North China Electric Power Institute

*Establishing a Theory of Socialism With Chinese Characteristics—New Developments in Mao Zedong Thought in the Age of Socialist Modernization and Opening to the Outside World*—Gong Yi [7895 0001], Huanglong Beach Power Plant, Shiyan City, Hubei

*An In-Depth Study of Mao Zedong's Thought on Reconciling Conflicts of Interest*—Yan Guanliang [2518 0385 0081], Lecturers Group, Xiangfan City Committee, Hubei

*A Sketch of Comrade Mao Zedong's Thoughts on Morals*—Liu Junzhong [0491 0193 1813], Business Management Cadre School, Gansu

*Hold Fast to Mao Zedong's Philosophical Methodology—A Rereading of "On Sustained Warfare"*—Kang Huaiyuan [1660 2037 6678], Jinchang City Party School, Gansu



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*Earnestly Study and Implement Socialist Theories With Chinese Characteristics*—Fang Weigang [2455 4850 0474], Zunyi Institute of Medicine

*Leading Policy Decisions and the Mass Line*—Lu Jinsheng [7120 6855 5116], Yunnan Business Management Cadre Institute

*Practical Principles Regarding Earnestly Summing Up Experience, Correctly Understanding and Upholding Theory*—Qian Minghui [6929 2494 6540], Yunnan Normal University; and Liu Liqiong [0491 7787 8825], Kunming Campus, Jiangong Institute

*Certain of Mao Zedong's Thoughts on Developing Agriculture*—Zheng Qing [6774 7230], Sichuan Social Science Coalition

*Deng Xiaoping's Inheritance and Development of Mao Zedong's Thoughts on Independence and Self-Initiative*—Wang Tingke [3769 1656 4430], Sichuan University

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*Statement of Mao Zedong's Thoughts on the Commodity Economy*—Wen Yinghua [2429 5391 5478], Chengdu Party School; and Xia Yuxuan [1115 3558 3551], Sichuan Academy of Social Sciences

*Opening to the Outside World Is Adhering to and Developing Mao Zedong Thought*—Yan Dingyun [6768 1353 0061], Chengdu Party School

*Adhering to and Developing Mao Zedong Thought on the Issue of Intellectuals—New Theoretical Contributions of Comrade Jiang Zemin's "Speech on the May 4th Movement"*—Hu Qirui [5170 0796 6904], Leshan Normal Institute, Sichuan

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*Exposition of Deng Xiaoping's Thoughts on Establishing Military Schools*—Yang Jianli [2799 1696 4539], Third Military Medical University

*Mao Zedong's Philosophical Thinking and the Modernization of National Defense*—Liu Xianfu [0491 6343 3940] and Li Jiang [2621 3068], Chengdu Military Region

*The Vitality of Mao Zedong Thoughts on Literature and Art—The Scientific and Steadfast Nature of His Theories*—Tan Luofei [6223 3157 7236], Sichuan Academy of Social Sciences

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*We Must Earnestly Sum Up the Historical Experience of Productivity Since China's Founding*—Zhou Zhenhua [0719 2182 5478], Sichuan Academy of Social Sciences

*Several Theoretical Problems Regarding the Correct Handling of Contradictions Among the People*—Wang Wencheng [3769 2429 2110], Sichuan Academy of Social Sciences

*The Lessons of Mao Zedong's Idea on the Primacy of Human Factors for China's Modernization of Management*—Zhang Zerong [1728 3419 2837], Sichuan Academy of Social Sciences

*Discussion of Several Problems with "Support the Poor" and the Economic Development of County-Level Impoverished Mountainous Areas*—Feng Yongkuan [7458 3057 1401], Gulin County Party Committee, Sichuan

*Using Mao Zedong Thought To Dissect "Wholesale Westernization"*—Chen Deshu [7115 1795 6615], Sichuan Academy of Social Sciences

*Peace, Development, and "Peaceful Evolution"*—Li Shenglou [2621 5116 4389], Sichuan Academy of Social Sciences

*Significance of Mao Zedong's Opposition to "Peaceful Evolution"*—Jiang Zhong [1203 1813] and Dong Zhongqi [5516 0112 0366], Sichuan Academy of Social Sciences

*Historical Choices and the Active Role of Those Who Make Them*—Jiang Zhong [1203 1813], Sichuan Academy of Social Sciences

*Profound Revelations and Valuable Legacies—Review of Mao Zedong's "Outline of Class Struggle"*—Liu Tianjun [0491 1131 0193], Leshan Normal Institute, Sichuan; and Hu Xueju [5170 1331 5282], Sichuan Academy of Social Sciences

*On the Application and Development of Mao Zedong's Theory of the Masses in the New Age*—Pang Hongyu [1690 4767 1342], Sichuan Academy of Social Sciences

*Theoretical Value and Practical Limitations of the "Simultaneous Development" Policy*—Zeng Min [2582 2404], Sichuan Academy of Social Sciences

*Mao Zedong's Socialist Views*—Lu Hongdong [6424 4767 2639], Sichuan University

*Formative Thoughts Behind Mao Zedong's Socialist Industrialization*—Xu Yazhang [1776 7161 4545] and Xin Dongsheng [6580 2639 3932], Siyang Finance Bureau, Jiangsu Province

### Changes Urged in People's Congress System

91P30126A Nanjing JIANGHAI XUEKAN [JIANGHAI ACADEMIC JOURNAL] in Chinese No 1, 10 Jan 91 pp 54-58

[Article by Shen Chunzhong (3088 4783 0022): "A Summary of Theoretical Research in Perfecting the People's Congress System"]

[Summary] How, under the leadership of the CPC, to persist in and perfect the People's Congress system and how to better utilize and develop the impact of the People's Congress is the subject of this article, which is based on "constructive and diverse opinions and suggestions" of many people who work in the People's Congress and of many other theoreticians as well.

### The Basic Problem in Perfecting the People's Congress System Lies in Strengthening and Improving Party Leadership Over the People's Congress

It is commonly acknowledged that the multiparty cooperation system under the leadership of the CPC and the People's Congress system were created by our experiences in revolutionary struggle and in the process of socialist construction. They are choices made by history as well. The unique Chinese historical background predetermined the right and the importance of the CPC to rule the People's Congress. The party's ruling position is realized through its leadership over state organs which in turn must willingly accept the party's leadership.

While guaranteeing the leadership of the party, the form of the state and the functions of the state administrative organs must be taken seriously. The public must be allowed to decide its own affairs. Yet, at present, the form, laws and regulations, and the functions of the state are being neglected while those of the party are given prominence. State affairs are interfered with and neglected.

In order to better reflect the public will and the party's proposals, the public has made the following constructive suggestions on how to improve the skills, methods, and procedures used by the party to lead the People's Congress. The party must refrain from directly making decisions for the People's Congress and also from managing state affairs as it has in the past. Instead, the party's proposals on state affairs should be realized through

mandated legal procedures and state organs. While guaranteeing the party's leadership over the People's Congress, the party must attach great importance to and utilize the form of the state, and must allow state organs of political power to take full responsibility for their functions.

The party must do more research in the policies and principles of important People's Congress decisions to enhance its guiding role in the People's Congress.

The party should smooth out the relationship of the People's Congress with the state, the Supreme People's Court, and the Supreme People's Procuratorate by respecting and supporting the legal authority of these organizations; and it should be a mediator between these organizations as well.

To help build a lively People's Congress staff that is truly suited to the functions of the People's Congress, the party should select and recommend a certain number of very experienced elder comrades, as well as a great number of young, bright, and professional comrades. The public also points out that it is based on the party's recommendations that the People's Congress and its Standing Committee appoint and dismiss candidates for state organs; therefore, it is important for the party to be democratic and to follow the people's wishes in its process of examination and selection of candidates. Some of the candidates recommended by the party were not elected in local elections, while other candidates not recommended by the party were elected because the party failed to be democratic and failed to solicit public opinion when making recommendations. Furthermore, the public feels that the party should educate and guide all party organizations and its members "to function within the boundaries set by the Constitution and the law."

### Correctly Understand the Nature of the People's Congress System

The People's Congress system suits the formation of the Chinese socialist class and the political power of the Chinese people. In comparison to the Western system of tripartite division of power, the People's Congress system is a superior democratic system. Although it needs further development, it is still socialist in nature.

It is imperative for the People's Congress to further construct and develop the People's Congress system, if it wants to have a real role in building socialist democratic politics in China. If the People's Congress is unable to guarantee the people their right to decide for themselves, much less can be expected from other democratic channels.

From a legal point of view, the ability of the People's Congress system to affect other organs of the state is limited by its inadequate supervisory mechanisms, inability to supervise, and inadequate deliberation and legislative procedures. Furthermore, the discrepancy in the ability of and the number of the People's Congress

delegates to participate and interpret government and political affairs coupled with a lack of conscious desire by the public to participate in government affairs also restricts the effectiveness of the People's Congress work. The effective way to counter this problem at this stage is to establish the authority of the People's Congress as prescribed by the Constitution, allowing the People's Congress to represent the public in exercising its right to manage state affairs.

#### **Strengthen the Supervisory Functions and Legislative Work of the People's Congress**

Effective and systematic supervision of the state organs by the People's Congress is made difficult by the absence in some cases of a clear constitutional stipulation on the content, scope, procedures, and management of People's Congress supervision work. Furthermore, the People's Congress supervision work is aggravated by a lack of opportunities for the People's Congress deputies and the People's Congress Standing Committee members to participate in state and political affairs. These delegates and members base their investigations concerning supervision work on the work reports of the State Council, the two state judicial organs, and the work reports of the Standing Committee. Consequently, it is hard for them to perform in-depth supervisory work. To counter these problems, more precise stipulations in the above-mentioned areas must be stated, and thus institutionalized and standard People's Congress supervision work gradually formed. The meetings of the People's Congress and its Standing Committee should be organized to allow the delegates and the members to play their appropriate roles, and increased channels of participation in state and political affairs should be created for them as well.

It is felt that the People's Congress should especially strengthen its supervision work in the following areas: Implementation of the Constitution and the law, examination of standard documents, hearing public and state organ appeals on acts in violation of the Constitution, and examination, approval, and changes in the state budget.

The legislative work of the People's Congress has always been a weak area. The formation and the content of local legislation are being heatedly debated by the public and the various local government offices. Now is the time for the People's Congress to come up with the kind of role it may want to play in the formation of local legislation.

#### **Raise the Quality of the People's Congress Organizational Structure**

The development of the People's Congress and its Standing Committee has fallen behind the ever-increasing responsibilities they bear. There are three major problems which impede the People's Congress and the Standing Committee from fulfilling their responsibilities. First, the poor quality of the members and the inadequate and irrational organizational structures

remain serious problems. To counter this, it is recommended that the full-time members of the Standing Committee account for more than half of its entire membership, and that every year, the part-time members be obligated to spend at least two months, stipulated by law, on People's Congress work. The members of the Standing Committee should include some experienced cadres; however, it must also recruit a certain number of professionals. The People's Congress should set up advisory and information organs and pay special attention to the building of legislative, supervision, and information organizations.

The second problem is the concern that the local chairmen's committee of the Standing Committee is becoming an organ of power, contrary to the development of the People's Congress. Some people feel over-reliance on the chairmen's committee may cause it to "take over the Standing Committee, and lead to the concentration of power in the hands of a few people." Some comrades say that, according to local organizational law, the chairmen's committee is supposed to handle important daily work of the Standing Committee and make suggestions, and it is not supposed to have the power to make decisions or to become "a first-grade organ of power." To counter this problem it is suggested that the chairmen's committee be prevented from overstepping its authority. On the other hand, some comrades suggest that, under the precondition of not contravening the law, and only under the authorization of the Standing Committee, the chairmen's committee may be allowed to expand its function and responsibilities in response to the needs of the People's Congress.

The third problem is the inability of the township People's Congress to exercise its authority when the People's Congress is in recess. In recent years, many townships have designated a chairman of the standing committee of the presidium and other specialist positions. People in these positions have made positive contributions to building close relationships between the people and the state and party, to promoting the development of democracy at the grassroots level, and to building grassroots political power. However, the lack of a clearly defined legal position and the lack of a coherent description of responsibilities for the township People's Congress have made it difficult for them to carry out work when the People's Congress is not in session. The public, therefore, suggests that it is of prime importance that work regulations for the township People's Congress and its presidium be drawn up and the legal status and responsibilities of the presidium be clarified. It is also suggested that the township People's Congress set up a permanent organization to handle important work in a timely manner during People's Congress recess and to be more effective in its supervision of state organs.

#### **Guarantee the People's Congress Deputies the Right To Be the Masters of Their Own Affairs**

In order for the People's Congress deputies to play their roles more effectively, mechanisms must be established

to guarantee the deputies of the People's Congress the right to exercise their various legally endowed rights. The election system, the supervision system, and delegate

removal process need to be further revised, and electors or electing units must be allowed to remove unqualified delegates.

## NATIONAL AFFAIRS, POLICY

### Conference Addresses Developing Production

91CE0344A Taiyuan JINGJI WENTI [ECONOMIC PROBLEMS] in Chinese No 1, 25 Jan 91 pp 8-12

[Article by Tang Changli (0781 2490 7812) and Xu Huirong (1776 1979 2837): "General Trends of Thought on the Development of China's Productive Forces in the 1990's—A Summary of the Fifth Annual Conference on the Economics of Chinese Productive Forces"]

[Text] The last 10 years of the 20th century are a critical time for the economic development of China. It is therefore necessary to consider comprehensively how to develop China's social productive forces during these years, necessary to straighten out our train of thoughts, to gain a clear understanding of China's national condition, so as to make the smooth achievement of our grand objectives possible. At the Fifth Annual Conference on the Economics of Chinese Productive Forces, held at Changsha in the early days of November of 1990, the primary subject of discussion was to outline in bold strokes some thoughts on the development of China's productive forces during the 1990's.

#### I. History and Present State of China's Productive Forces

The present conference examined comprehensively the possible development of China's productive forces in the coming 10 years and presented a set of strategic choices and policies. The conference also discussed the developmental history of human social productive forces and the present state of productive forces in the world and in China, and reached agreement that in human history, productive forces have developed in the following three stages:

First stage: From primitive society to the first industrial revolution. Agriculture was then in dominant position, labor was of the physical and manual type, using hand tools. Some call this stage the stage of agricultural society, others call it the stage of ancient productive forces—the stage of manual productive forces, or the stage of agriculture, animal husbandry, and handicraft industries, or the stage of natural economy, others again call it the stage of the first generation of productive forces.

Second stage: From the first industrial revolution to the 60's of this century, with machine-operating industry in dominant position. Some call this stage the stage of the industrial society, others call it the stage of modern productive forces—the stage of machine-operating productive forces, or the stage of structurally integrated agriculture, heavy industry, and light industry, or the stage of machine-operating economy, or the stage of the second generation of productive forces.

The third stage: A stage dominated by new technologies, with intellectual labor in a dominant position. Starting

in the 1970's, a few developed countries began their advance into this stage. Some call it the stage of a knowledge-accentuated society, others call it the stage of modern productive forces—the stage of information-accentuated productive forces, or of new production groupings, or of a knowledge-accentuated economy, or the stage of the third generation of productive forces.

China's productive forces are presently more or less at the second stage of the developmental history, i.e. at the stage of industrialization, and this requires that we conduct a detailed explanation of this stage. According to historical analysis and the historical experiences of developed countries, we may divide the process of accomplishing industrialization, or the whole process of the second stage, into three phases, with regard to product value or the number of people engaged in the two major material production sectors, the agricultural and the industrial sectors:

First, the preparatory phase of industrialization. Beginning with the emergence of machine-operating industries up to the time that industrial output value exceeds agricultural output value, and ending with the time that the proportion of industrial manpower comes close to that of agricultural manpower.

Second, the phase of industrialization, starting from the end of the preparatory phase of industrialization up to the time when industrial output value exceeds by a large margin total agricultural output value, when the proportion of industrial manpower is much larger than that of agricultural manpower, so that, as a consequence, a production structure has been built up in which industry dominates, and ending with the main manpower component having become predominantly (to over 50 percent) well educated.

Third, the post-industrialization phase, starting from the end of the previous phase and beginning with the emergence of a knowledge-accentuated, machine-operating system up to the time when the proportion of output value and manpower of the tertiary industries exceeds by a substantial margin the output value of the secondary industries. In this phase, the entire production structure begins to shift from a predominantly industry-accentuated type to a predominantly service-accentuated type, especially with the information industries becoming a special force within the tertiary industries until they split off to become the quaternary industry.

To be able to truly evolve a comprehensive train of thought on the development of productive forces, it would be by far insufficient to merely understand the developmental history of the productive forces, because it is equally essential to have a clear understanding of the present state of China's productive forces. On the present state of China's productive forces, the viewpoint that prevails among theorists and men in decision-making positions is that they are "of low standards, of diverse quality at different levels, and in a state of overall

imbalance." On the whole, this is a correct assessment, but it needs further detailed analysis.

China's productive forces in their present state, first of all, are of a dual structure. In all key elements of China's productive forces, China's setup of production, its technological structure, and its regional structure, we always find advanced and backward factors existing side by side, and manifestations of such conditions are very much in evidence. On the one hand, we have an array of the world's most advanced technologies, such as laser, spaceflight, nucleonics and electronics, but also the most backward and primitive practices involving manual labor, such as ox-drawn carts, loads carried by mules, and slash-and-burn cultivation, so that one can really say, poetically, "the iron hoe and the satellite fly side by side, the weeding hoe and the laser gleaming bright by bright." In concrete terms, the situation manifests itself in: 1) labor force, on the foundation of a dual structure, a predominance of physical labor; 2) tools, a mixed pattern in which hand tools predominate, but together with machinery; 3) energy sources, an energy system which is "quantitatively insufficient, of low quality standards, at its ultimate consumption level consisting predominantly of primary energy sources, with a relatively low ratio of electric energy"; 4) communications and transportation, a dual system of traditional methods existing together with modern systems; 5) production structure, although a production structure has already been established that provides opportunity to suitably update and upgrade China's productive forces, opportunities and developmental levels are not ample, it still remains in a "preparatory phase of industrialization"; 6) technological structure, it is a dual structure in which manual techniques predominate, but coexisting with some modern machine technologies, there are large internal disparities, and the qualitative levels are rather low; 7) Regional structure, as far as the quality of productive forces is concerned, the distribution is a gradient one between the three large economic zones, but between the two poles of east and west it is still a "dual structure in the preparatory stage."

Second, China's productive forces still have a distinctly transitional character, namely of a transition from a well-advanced state of hand-held ironware productive forces to an incipient state of machine-operating productive forces. Because of differences in the times of initiations and in the intensity of application, there are differences in shades manifested in the various sectors of the productive forces. In the most intense and earliest instances of transition, handicraft industry has developed and blossomed forth into modern industry. There, they have already passed the stage of steam engine productive forces and advanced into an elevated state of electrical-equipment productive forces. Next are the communication and transportation industries; they have already reached the end of the steam engine productive forces, and in some sectors moved on to the electrical and internal combustion stage. The transition is slowest and most lacking in depth in agriculture, especially in

animal husbandry, most of which still stagnates in the manual production phase. These productive forces, which have developed to extremely different degrees and with great disparities between them, which are also unequally distributed among different sectors and different regions, have brought it about that China has reached a "system of productive forces of a dual structure with strong contrasts and at a low level of performance."

Because of the uneven state of China's productive forces, there are places where disparities are much larger than in other countries of the world, but also places where China comes close to conditions in other countries of the world. For instance, in China's three grades of industries, the primary industries account for 60 percent, which is about the level of the developed countries in the seventies of the 19th century. In the output value structure of the three sectors of production, industry accounts for 70 percent, which is about the level of the developed countries in the seventies of this century. In the component parts of industry, the machine-building industry accounted for 36 percent, the metallurgical industry for 7.2 percent, the foodstuffs industry for 7.5 percent of the total 1984 output value of China's industry; these are figures that come close to those of the developed countries.

## II. Acute Problems in the Development of China's Productive Forces

Smooth development of productive forces depends, on the one hand, on the qualitative improvement of various key elements within the productive forces and their being rationally structured, and, on the other hand, on an improvement of the external environment. In both these respects there exist many problems in China, and the major problems are as follows:

### A. Rapid Fluctuations

Since the founding of New China, its productive forces have developed at a very rapid pace. From 1952 to 1988, the country's GNP progressively increased at the rate of 7.1 percent per year, and the country's revenue progressively increased at the rate of 6.9 percent per year. According to data in the World Bank's "Report on World Developments During 1988," the rates at which average per capita gross national product values increased during the period from 1965 to 1986 were: 5.1 percent in China, 3.1 percent in countries with low national income, 2.6 percent in countries with medium national income, 2.8 percent in countries with medium to higher national income, and 2.3 percent in countries with market-regulated industrial economies. This shows that China's economic growth rate was among the fastest in the world. At the same time, China has also had the largest fluctuations in its economic growth. During the 36 years from 1953 to 1988, the growth rates of total social output value were: in three years excessively rapid (20 percent), in 17 years rapid (10 percent), in seven years medium (5 percent), in five years slow (5 percent),

and in four years negative. If we would merely examine industry during this period, the fluctuations would be even larger. The annual growth rate of total industrial output value was over 30 percent during five years, over 20 percent also in five years, over 10 percent in 12 years, over 5 percent in seven years, below 5 percent in three years, and negative in four years. In 1985 the growth rate was as high as 54.8 percent, in 1961 it was -35.6 percent, so that the disparity between highest point and lowest point was 90.4 percentage points. Someone compared China's economic fluctuations with those in other large countries and found average fluctuation percentages to be: 22.09 percent in China, 9.9 percent in India, 8.73 percent in Japan, 7.53 percent in Great Britain, 7.46 in West Germany, 6.63 percent in the United States, 6.15 percent in France, and 5.15 percent in the Soviet Union. The above-stated facts reveal that the average fluctuations in China's economic development were by far much higher than in other large countries.

#### B. Declining Efficiency

China's rapid economic growth had mainly been brought about by high accumulations and large investments of material, finance, and manpower. This has led to a decline in economic efficiency, concentratedly manifesting itself in the slow-down of productivity. During the 36 years from 1953 to 1988, seven years had shown negative growth in nationwide social productivity, with a decline of 38.1 percent in 1961. Low productivity led to low economic efficiency, and an expansion of the incidence of losses. During the five years from 1984 to 1988, total output value of industry increased every year at the rate of double-digit figures. However, with respect to efficiency, we see that throughout the country, profitable industrial enterprises with independent accounting systems declined year after year:

In 1984, the extent of unprofitability was 10.7 percent, with losses amounting to 3,424 million yuan; in 1985, the extent was 10.8 percent, with losses amounting to 4,052 million yuan; in 1986, the extent was 13.1 percent, with losses amounting to 7,242 million yuan; in 1987, the extent was 14.1 percent, with losses amounting to 8,468 million yuan; in 1988, the extent was 38.1 percent, with losses amounting to 11,600 million yuan; in 1989, the industrial growth rate declined to 8.54 percent, but the amount of losses incurred reached 18,019 million yuan.

#### C. Technological Backwardness

Fundamental cause for low productivity and low economic efficiency is technological backwardness. Apart from some highly sophisticated technologies in the military field that come up to advanced world standards, China's technologies are on the average 10 to 20 years behind advanced international standards:

1) Labor is: 62.58 percent of the physical type, 36.55 percent labor expended in cultural affairs, 0.87 percent labor of scientific and technological type. 2) Operations

are: 40.9 percent manual, 37.6 percent semi-mechanized, 20.1 percent machine operations, 1.4 percent automatic operations. 3) Of all industrial equipment: 38.9 percent had been manufactured in the 1980's, 43 percent had been manufactured in the 1970's, 11.2 percent had been manufactured in the 1960's, 6.2 percent had been manufactured in the 1950's, and as much as 0.8 percent of the equipment had been manufactured in the early years of the PRC, while automatic or semi-automatic production lines accounted for 2.5 percent. 4) In 1988, average energy consumption per worker was 1.7 tons of standard coal; in this amount, the average consumption of electric power per worker was 1,003 kwh. 5) Railways, the main communications and transportation medium, are mostly of the steam engine era. 6) The setup of production is still in the stage of preparatory industrialization.

China's scientific and technological backwardness shows up, first of all, in the small proportion of workers of the scientific and technological type, which is still below 1 percent. In the United States and in Canada, the ratio is over 30 percent, in Japan 14 percent, and even in developing countries like Mexico, Singapore, etc. it is much higher than in China.

The level of material consumption is also an important indicator of the technological level, and in this respect China is also far behind some medium and developed countries. For every \$100 of net industrial product value, China consumes 2.7 times more electricity than Canada, 3.7 times more than South Korea, 4.3 times more than Italy, 5.4 times more than Japan, 7.3 times more than the FRG, and 7.7 times more than Great Britain.

Technological backwardness manifests itself concentratedly in the technological equipment. According to the 1985 investigation of the World Bank, only 20 percent of China's equipment meets international standards of the 1960's and 1970's, and 20 to 25 percent is outdated but still being used, while 55 to 60 percent is obsolete and needs to be replaced. The standard of technical equipment presently used in China's coal, electric power, transportation, information, and raw material industries is about 30 years behind international standards. Only 0.71 percent of the textile industry, which is China's mainstay industry, has technical equipment that is up to international standards, according to a 1987 survey of 1,600 large-and medium-sized enterprises. In the steel-making industry, developed countries generally employ electric furnaces and revolving furnaces, while China's furnaces are predominantly open-hearth furnaces. The continuous steel casting technique of the advanced standards of the 1980's is now widely used abroad, but there is still none of it at all in China.

#### III. Strategy and Future Measures To Promote Development of the Productive Forces

Comrades who attended the conference presented the following ideas on strategy and future measures to promote China's productive forces in the 1990's:

### A. Theory on Appropriate Growth and Measures To Achieve It

There are two large categories of economic growth, one is a speed-oriented type, i.e., a growth induced by increased investments and an acceleration of production development; and the other is a structure-oriented type, i.e., an economic growth induced by the improvement of the technological structure, product mix, and production structure. The speed-oriented and the structure-oriented types exist side by side, and there is a great variety of forms to combine the two, the best combination being "high-speed economic growth with structural optimization." The worst way would be "high-speed economic growth with structural deterioration." Next best is "economic growth at the appropriate pace with structural optimization," which would be our correct choice.

According to China's 40 years of experiences in construction, an economic growth of less than 5 percent would be offset by population growth and would not raise the living standards of the people. Growth of over 10 percent could not be sustained by the country's financial and material resources, would lead to overheating of the economy, currency inflation, and would be forced down again. We should, therefore, choose an economic growth rate of between 5 and 10 percent for China; a growth rate of from 6 to 7 percent would be an appropriate growth rate.

### B. General Plan for "Prosperity Through Science and Technology"

During the last few years, quite a number of regions have proposed plans for "prosperity through science and technology" and "achieving a flourishing market through science and technology." The present conference has emphasized reliance on scientific and technological progress to promote the development of productive forces, and on this basis the conference set forth a strategy for "prosperity through science and technology." The following points have been presented in support of this strategy:

1. From a science and technology viewpoint, China's level of science and technology is, generally speaking, about 20 years behind that of the developed countries, but there are some sectors of technology, such as space-flight, superconductivity, atomic energy, etc. where China has drawn close to or even attained the level of advanced international standards. As to the domestic side of the situation, the disparities between regions and between industries are larger than in other countries. In newly arising industrial sectors, most modern technologies are being employed, while technologies in traditional industries, particularly in agriculture, are extremely backward. Backwardness and large disparities in technologies are fundamentally the present state prevailing in China's scientific and technological fields. Just as water at a high elevation has a certain potential that will impel its flow into the lower elevation, the field of high technology has a certain potential which will impel

high technology to flow to the regions of low technology. China's technology is backward compared with the technology of the developed countries, but domestically the situation is quite uneven, and there does exist a large technological potential. If internationally and domestically available new technologies are spread into the regions of low technology, this potential force could very quickly promote the further development of productive forces.

2. As to the state of resources, the volume of China's natural resources is very large, but the per capita utilization is comparatively limited, if not very small. The shortage of financial resources is even more acute. Apart from an abundance of manpower resources, other resources are not abundantly available. In many key elements of production, China is not in a favorable position, in some even in an unfavorable position. A more reliable key element for economic development is science and technology. With a firm command of science and technology, all unfavorable forces can be overcome, and favorable elements can be brought into play. First of all, science and technology can supplement shortages in natural resources. For instance, advanced technology could increase yield per unit area, which would amount to an expansion of the area of arable land, or the application of economizing technologies could help overcome the deficiency of energy sources.

3. As to the international environment, small territories may rely on external forces to stimulate an economic uplift, but in the case of a large country, there has never been an instance that mere reliance on external forces could produce an economic uplift. If a large country strives to achieve its economic uplift, it must, therefore, rely on its very own efforts; it must rely on scientific and technological progress.

4. Analyzing the achievable benefits, implementing the plan for prosperity through science and technology could indeed raise all-round benefits, comprising economic benefits, environmental benefits, and social benefits.

Starting out from the general idea of achieving prosperity through science and technology, the participants at the conference also pointed out ways to proceed, such as to institute a Chinese-style green revolution, an economy-oriented system of productive forces, a higher efficiency of the structure of our productive forces, and employment of technologically capable men to play a vanguard role, etc.

### C. Opening Up to the Outside World To Be All-Encompassing

Productive forces are developed in either an "opened-up" pattern or a "closed-off" pattern. The closed-off pattern refers to a system in which alterations and movements in the productive forces structure are predominantly induced by the developments and accumulations in the key elements of the productive forces themselves within the system (the state, the local regions), which will then, as a consequence, bring about



a change in the developmental growth rate. This is a gradually advancing type of development. The opened-up pattern refers to a system in which the alterations and movements in the productive forces structure are not due merely to developments and accumulations of the key elements of the productive forces themselves within the system, but are, more importantly, induced by key elements of productive forces from outside the system, which will then result in a new adjustment of the original productive forces structure and upgrade the productive forces structure to a higher level, and will then, as a consequence, develop the productive forces at high speed. This is a rather abrupt type of movement. The opening-up practiced by China must advance from the sectional, experimental, and superficial type of the 1980's to an all-encompassing, deep-going opening up of the 1990's. To have an all-encompassing, deep-going opening-up stimulate the development of China's productive forces is a historically conditioned choice and a turning point for the better for China.

The so-called all-encompassing opening up refers to opening up to all the countries and territories of the world, especially toward neighboring countries and territories. The fundamental idea of it is that China in the 1990's shall initiate three large opening-up zones: the Asia-Pacific opening-up zone, the Asia-Europe opening-up zone, and the Southwest opening-up zones:

1. The Asia-Pacific opening-up zone. This zone would open up China's northeastern and southeastern seaboard provinces toward the eastern and western shores of the Pacific Ocean. Its significance would be to draw support from advanced productive forces of the Pacific zone for the development of the productive forces in the northeastern provinces, seaboard provinces, and the central plains of China. The Asia-Pacific zone shall comprise the following five economically integrated zones: the Zhujiang economic zone, the Changjiang economic zone, the Gulf of Bohai economic zone, the economic zone of the two Taiwan Strait shores, and the economic zone of the Liaodong Peninsula and its shores.

2. The Asia-Europe opening-up zone. This zone shall open up China's northern and western provinces toward the Soviet Union and toward Eastern Europe, Western Europe, and Northern Europe. Its significance would be to draw support from advanced productive forces in Europe and in the Soviet Union to develop the productive forces in China's northern and western regions. The Asia-Europe opening-up zone shall comprise the following five economically integrated zones: (a) the Islamic economic zone, with Urumqi as center, and comprising Karamai, Yining, and Hami, directed toward the Islamic countries, also Europe, and the Soviet Union. (b) The Xi-Lan-Xi economic zone, to be composed of the Xining-Lanzhou-Xian area along the railway line coming from Europe. (c) The Hetao [River Bend] economic zone, to be composed of the Yinchuan-Baotou-Huhot area along the Great Bend of the Huanghe River. (d) The Hulunbuir economic zone, with Hailar as center and comprising the Manzhouli and

Youqi area. (e) The Three River economic zone, composed of the area along the Heilongjiang [Amur], Wusulijiang [Usuri], and Songhuajiang [Sungari] Rivers.

3. The Southwest Asia opening-up zone. This zone will open up China's southwestern border provinces with the various southwestern countries, drawing support from Bhutan and Bangladesh and utilizing the Bay of Bengal to serve as an international passageway, also opening up the Lancang River and the Mekong River to international navigation. This region comprises the following three large economically integrated zones: (a) The South Tibetan zone with Lhasa as center and comprising the various cities and counties of South Tibet. (b) The Lancang-Nujiang River economic zone with Xishuangbanna as "faucet" and comprising the cities and counties and the border regions along the Lancang River and the cities and counties along the Nujiang River. (c) The Beibu Gulf [Gulf of Tonkin] economic zone, which comprises the area of Hainan Island, of the Leizhou Peninsula, and South Guangxi Province.

#### D. The Strategy of All-Round Development

Some comrades at the conference proposed a strategy of all-round development. Facing the peculiarities and trends in the development of the world's productive forces and aiming at the present state of development of the productive forces, the development of China's productive forces in the 1990's may consider the following strategic choices: 1) simultaneous development of industry and agriculture; 2) simultaneous development of the basic branches of production and consumer goods industries; 3) revolutionary changes in the traditional production technologies simultaneously with the development of production of highly sophisticated new technologies; 4) simultaneous concern for industrial development and for protection of the environment; 5) simultaneous development of domestic employment and the export of labor services; 6) simultaneous buildup of large-scale conglomerates and development of small-scale enterprises; 7) simultaneous development of the domestic market and opening up of the international market; 8) simultaneous practicing import substitution and export substitution in the opening up to the outside world.

#### E. Reform To Motivate Strategy

Development of productive forces depends on an excellent social environment; we must institute reforms, straighten out the economic order, and improve the economic environment, in order to promote the development of productive forces. According to this train of thought, the conference proposed a plan that would have "adjustments in prices, taxes, and wages linked together, distribution and exchange relations straightened out."

This theory believes that the weakness of the market, stockpiling of products, and fund shortages of the enterprises are merely superficial contradictions showing up in present economic life. The concealed real reasons are the irrational product mix and the ineffectual operations

of enterprises, and even more deep-rooted reasons are the irrational distribution and exchange relations that violate the law of value and the principle of material interests, which has led to the fact that for years the emphasis has always been on restructuring and raising efficiency, but with very minimal actual results. Only by straightening out distribution and exchange relations can one get a grasp on the crux of economic problems and provide the necessary excellent conditions for development.

Because of the irrational state of the distribution and exchange relations and their being intricately and in a complex manner intertwined, it is necessary, when straightening out the economic relations, that consideration be given to the overall situation and that a reform plan be worked out which will adjust prices, taxes, and wages in linkage and will be an all-round coordination of affairs.

1. Adjusting the price system, reforming the price-forming mechanism. The first stage, from 1990 to 1992, must primarily straighten out the prices for the means of production, to provide a rational competitive environment for the enterprises. The second stage, from 1993 to 1995, must primarily straighten out prices for consumer goods and abolish the in-kind goods distribution which has the characteristics of rationing. The third stage, from 1996 to 1997, must primarily straighten out the price relations between the domestic and the international market, so that prices for the major means of production come up close to prices on the international market, must decontrol the market for means of production, must abolish price subsidies for import or export products, and must have straightened out by 1997 the entire price system as well as the price-forming mechanism.

2. Reform of the public finance and taxation systems. Reform of the public finance and taxation systems shall be conducted at the same time as the price reform. The reform should aim at: (a) enhancing the capability for macroeconomic adjustment and control, instituting double-entry accounting; (b) replacing the system of local contracting in taxation affairs by the system of separate tax assessments, delineating financial rights and authorities as between central and local authorities; (c) instituting a standardized tax collection policy for enterprises.

3. Reform of the wage system. At the same time as prices will be adjusted and subsidies by public finance for the people's livelihood will be abolished, the wage system must correspondingly undergo reform. At present, the key problems to be resolved are the great disparity in incomes, in-kind material distributions, and subsidies granted by public finance.

### Issues Faced in Economic Structural Adjustment

91CE0315A Beijing JINRONG SHIBAO in Chinese  
24 Jan 91 p 2

[Article by He Jianqiang (6320 1696 1730): "Essay on High-Efficiency Adjustment and the Systematic Adjustment of China's Economic Structure"]

[Text] The short- and medium-term emphasis on China's economic work is to further adjust the economic structure and, by doing so efficiently, to change the situation where the processing industry develops at an excessive rate while basic work and infrastructure work lag behind. This will rationalize economic relations, transform industrial production from extensive to intensive operations, preserve the momentum of the steady rebound of national economic operations, facilitate the improvement of economic efficiency, and move the economy into a benign cycle.

Whether a benign economic cycle can be successfully achieved, or more optimistically, whether it can be achieved earlier, is critically dependent on the choice between "high-efficiency" and "low-efficiency" adjustment.

### Current Adjustments of the Economic Structure—Existing Problems and Their Causes

At present, the major problem plaguing the efficient adjustment of the economic structure is that industrial production has high inputs with low output. Sales of industrial products are declining, and we have not turned around the trend of continuing production despite overstocking. According to statistics, in the first half of last year the Industrial and Commercial Bank of China increased loans by 36.2 billion [yuan], 28 billion of which was for working capital. Compared with the same period in previous years, the magnitude of lending was the highest in history. Compared with the same period in 1989, loans for working capital increased by 38 percent, output values of enterprises borrowing the funds increased by 0.33 percent, and sales revenues increased by 3.99 percent. Comparing these figures, the increase in loans for working capital was 115.15 times the increase in output values of borrowing enterprises, and it was 9.52 times the increase in borrowing enterprises' sales revenues. This reveals the serious problem of high inputs versus low output and overstocking of industrial processed goods. There are many factors leading to this situation. In addition to the obvious cause, the depressed market, there are other factors that are not well-known to the public but that are highly damaging. Some of the major factors are:

1) There is a serious problem with departmentalism. Although local governments, departments, and enterprises understand that producing certain products is not in line with state policies on adjusting the industrial structure, they continue producing massive amounts so as not to harm the interests of their own localities,

departments, and enterprises. As a result, surplus products pile up in the market, while scarce products become even scarcer. 2) We lack a set of scientific and feasible plans for the industrial and product structures. There is not a single set of scientific, concrete, and feasible plans for the industrial and product structures in China, regardless of whether one is looking at the macroeconomic or microeconomic level, at the central or local governments, or at individual ministries or enterprises. There are simply stipulations on which goods can or cannot be produced, and no regulations on the specific proportions or sequences for producing the goods. Thus, production goes on and off with a rush, leading to serious overstocking. 3) The actual implementation of state industrial policies is not in line with the specific circumstances at various levels. In practice, there is a serious problem with the mechanical and dogmatic implementation of state industrial policies. This not only has an impact on the overall effectiveness of state industrial policies, it also artificially creates many negative effects. 4) Local protectionism is gaining ground.

#### **Some Practical Problems Requiring Attention When Striving for "High-Efficiency Adjustment"**

We should handle properly the protection or sacrifice of the interests of the "big family" and the "small family." Since there is a large gap between various localities, departments, and enterprises in terms of the level of their production strength, industrial structures, fiscal burdens, contradictions between supply and demand, and resource distributions, new imbalances and irrationalities would necessarily develop during the implementation of overall programs adjusting the economic structure. In reality, we must focus on two points in order to change passive implementation into active and conscious implementation: 1) Various localities, departments, and enterprises should have an overall understanding of state policies on adjusting the economic structure; have a clear idea of the long-, medium-, and short-term emphases and difficult issues concerning adjusting the state's economic structure; and, based on their specific circumstances, they should design development programs and structural adjustment plans for their own areas in order to reduce and avoid conflicts between the parts and the whole. 2) All localities, departments, and enterprises should examine their respective structural adjustment programs, make the attainment of overall economic efficiency their goal, and modify and add to their programs in a timely way.

Adjusting the product structure should be viewed as the breakthrough point for adjusting the economic structure. The systematic project of adjusting the economic structure consists mainly of adjusting the industrial, product, and financial structures. The major problem at present is that the adjustment of product structure faces great difficulties, and progress is slow. This affects adjustments of the financial and industrial structures. Therefore, adjusting the product structure should be taken as the breakthrough point in economic adjustment. In practice, we should take three tough steps. First, we must

screen and select a group of products to specially support; we should erect supportive measures and resolutely protect production of these products. Second, we should select and specially emphasize the production of a group of products, and centralize available resources for their development. Third, we should determine which products to eliminate and take firm action to resolutely eliminate them. When taking these steps, we should attend to several practical issues. We should change the production pattern, moving from the old mass production of a single product towards a trend of small-scale production of various products with various specifications. Also, we should introduce high technology in order to produce products with high added values. Developing products with high added values is an important and effective means for quickly improving enterprises' economic efficiency and increasing their competitive capacity. Finally, the goods produced and the volume of production should be commensurate with changes in the consumption structure.

#### **Focus on Linking and Coordinating Macroeconomic and Microeconomic Regulation and Control**

In practice, we should focus on two points concerning linking and coordinating macroeconomic and microeconomic regulation and control: 1. We should distinguish between macroeconomic and microeconomic management. In real economic life, governments and departments in charge should, under the state's general guidelines and policies for adjusting the economic structure, be good commanders and have relatively long-term strategic plans and programs for their own industrial distribution and adjustment of the economic structure. Enterprises should identify their positions within the macroeconomic framework, optimize their own advantages, and work hard to achieve the targets and plans of adjustment. 2. In selecting industries and products, governments, departments in charge, and enterprises should take care not to exaggerate their advantages. They should implement state policies for adjusting the economic structure in a practical and realistic manner, and at the same time strive to optimize both the regional and national structures.

The containment of "local protectionism" should be enforced through several channels. In the long run, it is imperative to establish a macroeconomic regulation and control system that can both ensure the necessary centralization of the central government and facilitate structural optimization. In terms of economic relations between the central and local governments, we should gradually change from a fiscal responsibility method to a system of tax separation. This will fundamentally solve the problem of a blurring of central and local governmental authority in fiscal matters, which has led to fighting for financial resources. In this way, local governments will not recklessly implement "local protectionism" in an attempt to generate and retain more income and use more resources. Moreover, great effort should be made to organize regional common markets and facilitate the development of a unified national market.

Establishing a unified market is a long-term, arduous task. Because various localities are diverse, they have different benefits. In order to make up for localities' deficiencies and fully utilize their advantages, at this stage we can only organize regional common markets. Localities could, in contractual form, undertake cooperative operations among themselves that are mutually beneficial and complementary, and that protect their respective rights and interests by exchanging commodities of equal value. Guided by stipulated market regulations and coordinated planning and policies, relevant localities could facilitate the regional movement and rational distribution of resources and ensure the steady, ordered development of local economies. Thus they could gradually form a unified, developed national market.

### Economic Issues Confronting Enterprises

91CE0332A Taiyuan JINGJI WENTI [ECONOMIC PROBLEMS] in Chinese No 12, 25 Dec 90 pp 21-24, 28

[Article by Guo Yuanxi (6753 0337 2522), Sichuan Academy of Social Studies: "Exploring Reform—Enterprises: "The Nucleus of China's Economic System Reform"]

[Excerpt] In over a year of improvement and rectification since China suffered rather severe inflation in 1988, the entire economic situation has changed greatly. For a period of time, several comrades have looked into such issues as the slippage in industrial production and the market slump and have made many excellent suggestions. But, I believe that a great many of the problems that have arisen in China's economic life are linked in many ways with enterprises. Perhaps we could say that they are more or less reflected in enterprises. So, both in the slippage in industrial production and the market slump, if we want to change the situation, we must look to enterprises. In the past 12 years of reform, enterprises have undergone great changes and now are headed in the direction of producing and managing socialist commodities. But, we must not lose sight of the fact that the present state of Chinese enterprises is truly a long way from what is required to develop a socialist planned commodity. In general, Chinese enterprises still have several problems. If these problems are not resolved, the hidden danger of inflation still remains and a slippage in industrial production and a market slump could occur, meaning that the total national economy would be unable to move into a good cycle. Even though we already have conducted 12 years of reform and urban reform from the outset was derived from enterprise reform, we should keep in mind that at least the following ten problems still remain in Chinese enterprises.

1. The most serious difficulty that enterprises, especially state-owned enterprises, have now is that there is essentially no way for them to assume sole responsibility for profits and losses. Beginning in 1987, after the vast majority of enterprises throughout the nation ostensibly implemented the contract responsibility system,

although economic performance was further improved, they still assumed profits but not losses. This caused the total state economy to have to further tap its potentialities, and improved economic performance inevitably encountered rather great difficulties. The survival of the fittest among enterprises has given impetus to the growth of the social economy and progressive universal laws. But we now have no way to realize survival of the fittest among enterprises. The "iron ricebowl" in state-owned enterprise staff employment especially makes it impossible to close down enterprises with serious losses. Enterprise losses have increased dramatically, especially since 1986, placing an extremely heavy burden on the state treasury. From 1979 to 1988, annual losses for state-owned enterprises throughout the country (including manufacture and delivery, commercial provision, farm and forestry, urban public use, and building and construction enterprises) increased from 11.035 billion yuan to 55.071 billion yuan for an accumulated loss of 274.09 billion yuan (This is the enterprise loss figure, not the treasury redemption figure.) In these ten years losses have increased by 500 percent with an average annual increase of 19.6 percent, much higher than the 3.2 percent average increases in state treasury income for the same period. The ratio of enterprise losses to state treasury income also rose 12.9 percentage points, from 9.6 percent in 1979 to 22.5 percent in 1988, thus reducing the state treasury income by more than 30 billion yuan a year. Presently, approximately one-fifth of enterprises throughout the nation are in long-term deficit, a great many of these are operational losses. This not only increases balance of payment difficulties for treasuries at all levels, but also carries a harmful demonstration effect.

2. Enterprises, especially state-owned enterprises, suffer restraints from the traditional system because for a long time they have been stifled by supervision and lack the necessary authority and flexibility to the point that after the change from a simple highly concentrated planned economy to a planned commodity economy, they inevitably face a series of difficulties. Some enterprises cannot even adapt to the changing situation, and still hope to rely on higher administrative departments for the supply, production, and marketing essential to an enterprise to the point that they always hope to yield profits to the state at every level of government by whatever means possible, and the mentality of waiting, relying, and requesting still takes precedence, so that a considerable group of enterprises cannot fully utilize their own subjective initiative. At the same time, because the state macroeconomic controls are not flexible, price relations have not been orderly, circulation has been chaotic, and especially in replacing the old system with the new, a double system, as seen in the double pricing system, actually exists in various areas, so that enterprises often do not know what course to take and are powerless to effectively utilize their subjective initiative. This results in quite a few enterprises still being very dependent on the state. This is detrimental to enterprises

further tapping their own potential, looking within, and improving internal production and business management.

3. The long-time past system of eating from the "big pot" and the remaining difficulty in breaking the "iron rice-bowl," in addition to the excess of widespread enterprise overstaffing, causes a very serious unemployment situation in enterprises. The make up of the work force cannot be improved and factory managers' authority to penalize staff that are not working well and reward good workers is limited. Because they must safeguard social stability and unity, factory managers actually cannot dismiss staff who are poor workers. Moreover, the relationship of factory manager, party committee, and labor union certainly is not really smooth in quite a few enterprises, causing wrangling and internal waste. Moreover, inherent systematic management defects especially bring on a great many difficulties in modernizing enterprise management, causing rather great difficulty if they want to further modernize.

4. Theoretically, the ownership of means of production of state-owned enterprises in a socialist country belongs to the state as representative of the whole people. But in recent years we have not thoroughly resolved the issue of who represents the state in exercising the right of ownership. Now some departments are representing the state and some localities also are representing the state. This not only causes state-owned enterprises often not to know what course to take, but also causes several non-state-owned enterprises often to be unclear as well concerning to whom they are ultimately responsible, especially not to be at all clear on whether they are responsible to the relevant higher echelon department or to the finance department. Correspondingly, it also is unclear by which government department the state is responsible for enterprises, what they are responsible for, and how they are responsible. This two-way confusion of responsibility creates a number of difficulties. At the same time, because eating from the "big pot" still exists in different degrees for enterprise assets, it also leads to the remaining serious abuse of disregarding returns on assets. Its concrete manifestation is lack of responsibility for direction of investment, lack of responsibility for possession and use of funds, and lack of responsibility for safeguarding and increasing assets. Although we have become aware of this situation since the widespread implementation of the contract responsibility system in state-owned enterprises, and have clearly regulated and adopted necessary measures, a number of causes have led to the tendency for enterprise activities to be short-term, making some aspects of this type of problem even more prevalent in some enterprises.

5. The relationship of economic returns between the state and enterprises has not been fundamentally ordered. The distribution of profits between the state and state-owned enterprises is always limited by the endless "one-on-one" bargaining negotiations, which are quite unscientific and unstable, easily causing them to be too high or too low, which is disadvantageous to both the

state and the enterprises. Especially in the inflation of the last few years, this type of abuse has become more and more serious. On the one hand, the phenomenon of being over-demanding of those doing a good job has become more and more serious. On the other hand, although the monetary amount of state treasury income has increased, the real amount has decreased.

6. The burden of Chinese enterprises is very heavy, which also restricts the vitality of enterprises to a great extent. The burden, especially of state-owned enterprises, is rarely seen in the world. According to incomplete statistics, the vast majority of state-owned enterprises after they have paid a 55 percent income tax, still must pay at least the following four expenses: 1) They must first pay 25 percent of profits retained to the energy and transportation funds. 2) They must pay 15 percent of depreciation recovered to the energy and transportation funds. 3) They must pay a 10 to 20 percent construction tax on expansion and technological innovation investments. 4) They must subscribe to a specified quota of state treasury bonds and construction bonds. When the elements above are deducted, the enterprises generally are actually only left with approximately 15 to 25 percent, and they still must take care of various types of social expenses, actually leaving the enterprises with very little profit. After they provide for the enterprise's collective welfare fund and the staff awards fund, most enterprises' circulating funds are depleted and they lack even more in reinvestment potential. Thus, a considerable number of enterprises are unable to do the self-transformation and self-development that they very much want to do, due to lack of funds.

7. Because we do not have a very clear theory on the characteristics and nature of capital retained by state-owned enterprises, and there is no great policy distinction between investments formed from their own retained funds and the returns they bring, and direct state investments and the returns that they bring; the upsurge in enthusiasm for an enterprise's internal accumulation quite often is determined by the party spirit and foresight of enterprise leaders. Because the system lacks realistic guarantees, a great number of enterprises are not very enthusiastic about internal accumulations and even still try to rely on the state as a source of funds to develop enterprise production and transfer the portion of their increased value that should be used for accumulation to individual consumption. This also is an important reason why consumption funds have become inflated in recent years. This phenomenon inevitably leads to short-term enterprise activity which does not work toward thorough reform of the economic system and does not help bring the total national economy into a favorable cycle.

8. A great deal of blindness still exists regarding state-owned enterprise development, so that no leadership of optimal performance can be taken in the macro-industrial structure as it should. This includes macroeconomic control of enterprises and problems in the enterprises' investment systems. Especially the "investment

starvation" and consumption fund inflation which the abnormal clambering to pursue short, level, and speedy projects produces makes enterprise self-restraints, government restraints, and legal restraints not very effective, and it often is difficult to properly use limited enterprise funds to meet the key demands of macro-industrial development.

9. Chinese state-owned enterprises now actually still have over 30 percent of their productive capacity idle. This is an extremely serious problem. The reason for this is multifaceted. There are macroeconomic development problems such as structural energy and raw and processed material shortages. There also are problems with the enterprises themselves, such as indiscriminate importing, duplicative construction, and unmarketable goods. And, there are systematic problems, especially the enterprises' considerable degree of self-containment, to the point that they still cannot achieve very good professional coordination among enterprises. This makes it difficult to achieve rapid improvement in the economic performance of enterprises.

10. Because of the past long-term influence of the self-sufficient natural economy and product economy guiding ideology, enterprises not only are lacking in professional coordination and division of labor in production, causing the phenomena of being "large and complete" and "small-scale and complete," and of self-containment and self-circulation, but also lack the socialization of the division of labor between production and livelihood. Among state-owned enterprises especially, there is the widespread and serious phenomenon of enterprises managing society. The most prominent are the large- and medium-sized state-owned enterprises that want to operate schools, nurseries, hospitals, and dining halls; and want to construct staff housing, supply and marketing nets, vegetable stores, cinemas, and clubs; and even want to involve themselves in benefitting the lives of the staff in various ways, almost all of which should by nature be decided by society. This causes the state-owned enterprise to assume the heavy burden of operating a "small society," in addition to their normal production and management. State-owned enterprises not only have to expend a large amount of funds to resolve by all means possible any cares that could disturb staff production, but also causes state-owned enterprise leaders to divide their energies, and the ingenuity that they formerly were able to use on production and management is used on managing the "small society." This creates unnecessary damage to state-owned enterprise development. We should bear in mind that during these years of reform not only has no solution been found for these problems, but, that on the contrary, the problems have become greater because enterprises have independent profits. [passage omitted]

#### **Forum Discusses Contract System, Taxes, Profits**

91CE0361A Beijing JINGJI RIBAO in Chinese  
12 Feb 91 p 3

[Article by staff reporter He Xudong (6320 2485 2639):  
"Disputes Over the Contract System and the Separation  
of Tax From Profit"]

[Text] With the first round of enterprise contracts expiring in 1991, shall the enterprise reform follow the thread of thought of defining responsibility, right, and benefit to continue to improve the contract management responsibility system or shall it proceed from the relation of distribution between the state and the enterprise and implement the separation of tax from profit and the systems of after-tax loan repayment and contract signing? This is an issue of wide concern in theoretical circles and functional departments. In order to fully study this issue, concerned leaders and noted scholars of state and government organs and business and theoretical circles held a seminar on "Enterprises' Contract Management Responsibility System and the Separation of Tax From Profit" in Haikou City in late January. During the discussion, I listened to the people of all circles debating about the contract system and the separation of tax from profit, and have summarized their opinions as follows:

#### **Different Views on the Concrete Steps of Deepening Enterprise Reform**

People have different opinions as to what main measures to take to deepen the enterprise reform in the 1990's:

The first view maintains that we should implement as soon as possible the reform program of separating tax from profit and repaying loans and signing contracts after paying taxes because its theoretical basis is sufficient and its direction correct. Comrades holding this view think that the current contract system restricts the growth of state financial income, that the distribution of income leans excessively toward the enterprise and the individual, and that the pattern of income distribution is rigid. The two functions of the state administration and management, the two rights, and the two incomes have been confused as one. Either tax is used as profit or profit is used as tax, resulting in the integration of tax and profit and the confusion of responsibilities. The proposal of the reform program of separating tax from profit may change this situation and gradually standardize the relation of distribution between the state and the enterprise. The way to do this is to levy 35 percent of income tax and implement the system of before-tax [as published] loan repayment. This method not only can make up the deficiency of the original distribution pattern but also can help increase the state's financial income and its financial ability to support the future across-the-board reform. At the same time, since a unified tax rate is applied to different enterprises of different ownerships and the tax burden is now equal, this method can help all enterprises carry out fair competition.

The second view holds it necessary to basically continue the current practice to implement the contract management and opposes the separation of tax from profit. It maintains that increasing enterprises' vitality is the central link of reform and that the vitality of enterprises comes from the enthusiasm of enterprise managers and workers. The five-year practice of contract management

proves that the contract system is most conducive to arousing enterprises' and workers' enthusiasm. So it should be the direction we adhere to in the enterprise reform. As for the separation of tax from profit, since its essence is substituting tax for profit and a large part of the enterprise's original profit and newly increased income is taken away by the state in the form of tax, enterprises' and workers' enthusiasm is bound to be affected. Moreover, under the condition of socialist commodity economy, it is difficult to clearly distinguish between the state's two functions, two rights, and two incomes regarding the enterprise. Besides, the state's levy of circulating tax and the enterprise's delivery of profit have de facto "separated tax from profit." Especially under the condition of "two difficulties"—the state's financial difficulty and the enterprise's production and management difficulty—the extreme emergency is to raise the enterprise's vitality, arouse the enterprise's enthusiasm, and encourage the enterprise to make a "bigger cake" instead of rushing to change the method of distribution. If the "cake" remains small, the method of cutting, no matter how good it is, cannot guarantee the stable increase of the state's financial income.

The third view thinks that the contract system is a realistic choice and the separation of tax from profit is the direction of future reform. We may experiment with it in the Eighth Five-Year Plan period but not on a large scale. Under the current condition where enterprises face severe external environment and production and management difficulties, we need to further develop the stimulating function of the contract system to arouse the enterprises' and workers' enthusiasm for production and tap enterprises' internal potential to overcome current problems. Under the current condition where a third of enterprises lose money and another third of enterprises make only marginal profits, if we force the implementation of the separation of tax from profit and the systems of after-tax loan repayment and contract signing, most enterprises will be unable to withstand the pressure. As far as the pilot program of separating tax from profit itself is concerned, some contents need further study. For instance, shall income tax be levied on the basis of proportional or progressive tax rate? Shall the income tax be calculated according to 35 percent or other percentages? There are also questions concerning the repayment of loans for the technological transformation of enterprises (especially old loans), basis for the targets of after-tax contract, and the long period and low rate of depreciation. It is especially impossible to carry out the separation of tax from profit alone. We must coordinate it with financial, monetary, tax, investment, and pricing reforms. Under the situation that some contents are still immature and unstable and that coordinated reform conditions are absent, blindly pushing the separation of tax from profit is not recommendable.

During the discussion, another view attracted the people's attention. That is, the contract system is not set against the separation of tax from profit. The contract

system and the separation of tax from profit are two issues of completely different basic points. The contract system should solve the problem of effective operation of microeconomic subject, including adhering to public ownership, promoting the separation of government administration and enterprise management, improving the mechanism of motive power, and enabling enterprises to become economic entities that make their own management decisions, assuming sole responsibility for profits and losses, and develop themselves. Smoothing out various relations (including distribution) between the state and the enterprise is only one aspect of the contract system, which is in essence a responsibility system. The separation of tax from profit is to solve the problem of improving macroeconomic management with emphasis on smoothing out the relations, especially distribution, between the state and the enterprise. Because of this, separating tax from profit is not a fundamental negation of the contract system. While handling the relations between the state and the enterprise, we may adopt a fixed or progressive contract base or implement the systems of separating tax from profit, repaying loans before tax, and signing contracts after tax. Both have very strong restraints. The former is a fixed amount and the latter, a fixed percentage. Under different economic conditions, we may apply different restraints to enterprises. The key is to make the state income increase continuously along with the development of production. Because of this we should detach ourselves from departmental interests when examining the issues of the contract system and separating tax from profit. We must not look from the angle of state finance and hope to separate tax from profit so as to increase state revenue; nor must we look from the angle of enterprises and their supervising departments and hope to continue to improve the contract system.

#### **Different Appraisals of Current Situation of Enterprise Burdens**

Implementing the contract system or separating tax from profit is based to a great extent on different appraisals of the degree of enterprise burdens. Because of this, the appraisal of the enterprise's burdens and profit retention in present China has become the focal point of debate between those who favor the contract system and those who favor the separation of tax from profit.

One view holds that since the state has delegated power and yielded profits to enterprises in the 10 years of reform, the level of enterprise profit retention has increased substantially. The distribution of the national income has apparently leaned toward the enterprise and individual. The state cannot even get its share of income which has increased as a result of policy-related price hike instead of enterprises' subjective efforts. After the separation of tax from profit, there may be a greater variety of taxes, but because many taxes are behavior taxes and enterprises without such behavior do not have to pay, the tax burden of many enterprises do not necessarily increase as a result. The levy of "two funds" (energy and transport fund and budget regulation fund)



on enterprises is only a temporary measure. When enterprises complain about heavy burdens, they do not mean that the state tax is too heavy. Instead, they mostly refer to the excessive fees and the apportioning of expenses by local governments and departments. Contract enterprises suffer from heavy burdens because their relations with government organs have not been smoothed out which in turn has increased, to a certain extent, the administrative intervention of government organs.

Another view is that many Chinese enterprises, which have obsolete equipment and backward technology, cannot easily maintain even simple reproduction and that many of them rely on principal and borrowed money to carry out production operations. The contradiction caused by the lack of stamina for the development of enterprises has become increasingly prominent. To study its cause, the low rate and long period of enterprises' fixed-asset depreciation are an important factor hindering the innovation and transformation of enterprises. Due to the low level of depreciation rate—5.3 percent—it takes Chinese enterprises nearly 20 years to complete the depreciation of their fixed assets, which is much longer than the four- to five-year period of advanced world level. Moreover, 25 percent of the depreciation fund retained by enterprises is used to pay for the "two funds." After deducting various apportionings of bonds and social expenses, only 30 to 50 percent of nominal depreciation funds (calculated on the basis of original value) is actually used for enterprises' innovation and transformation purposes. The level of enterprises' tax burden is also on the rise. According to a survey of 193 state industrial enterprises by the Chinese Industrial and Economic Association, due to the continuous increase of various taxes, fees, interest, and bonds, enterprises' profits have been continuously shifted to taxes and fees. In 1989 enterprises' actual profit retention accounted for only 8.2 percent of their net income, a decline of 26.2 percent as compared to 1986. The per-capita profit retention of a third of enterprises was less than 300 yuan, not even enough to cover medical expenses. Because of this, we may say that now is the time when enterprises have the most difficulties since the reform. The separation of tax from profit, which is a reform aimed to readjust the distribution relation between the state and the enterprise in a settled and relaxed commodity economic environment, cannot be easily carried out under China's current economic conditions.

#### Several Common Understandings After the Discussions

1. No matter which trend of thought we choose, when handling the distribution relation between the state and the enterprise, we must consider the interest of the state, the collective, and the individual. We should ensure that the state's financial income increases steadily instead of continuing to reduce tax and yield profit to the enterprise. We should also ensure that it is conducive to revitalizing enterprises and increasing their staying power.

2. When studying issues, we must adhere to the theory that everything has two aspects and use dialectic method. The contract system and the separation of tax from profit each have their own advantages and disadvantages and some useful conditions. The main advantages of the contract system are great incentive, openness, and effectiveness. Under the condition of economic difficulty, it is conducive to arousing the enthusiasm of enterprises and workers for tapping potential and increasing production and income. The advantage of separating tax from profit is that the distribution relation between the state and the enterprise is handled in a standardized manner, which is conducive to realizing the simultaneous growth of state financial income and enterprises' economy.

3. There is an issue of "degree" in the practice of both the contract system and the separation of tax from profit, which needs to be further studied. Because of this, we should not only carry out abstract discussions of the contract system and the separation of tax from profit. We must solve the problem of quantitative analysis in accordance with the feedback of practice.

4. We must implement in practice the guidelines of the Seventh Plenary Session of the 13th CPC Central Committee, regard the improvement of the contract system as the basis and give first priority to revitalizing enterprises and increasing economic returns during the Eighth Five-Year Plan period while perfecting the pilot program for separating tax from profit in selected units to continue to improve this theory and practice.

5. The various problems currently existing in enterprises cannot be solved simply by smoothing out the distribution relation between the state and the enterprise. To deepen enterprise reform, we need to vigorously carry out supplementary reforms in the macroeconomic system such as steadily implementing the reform of pricing system to bring about generally stable average profit rates among different industries and enterprises; further carrying out the reform of investment system to increase enterprises' staying power through multiple forms and channels of investment; further carrying out the reform of monetary system to support enterprises' technological transformation, innovation, and updating by demanding differential and preferential interest rates in accordance with the industrial policy.

6. Whether we choose to improve the contract system or carry out the separation of tax from profit on a trial basis, we must concentrate our energies on strengthening enterprise management, encouraging internal efforts, tapping internal potential, and developing internal skills.

This seminar was sponsored by the China Business Journal on behalf of Comrade Yuan Baohua [5913 1405 5478].



## PROVINCIAL

### Efficiency Examined in Key Gansu Enterprises

91CE0368A Beijing JINGJI RIBAO in Chinese  
14 Feb 91 p 1

[Article by staff reporter Yang Zhanfeng (2799 2069 6912): "Testing the 'Inner Qualities' After the 'Double Guarantee'—An Analysis of Economic Efficiency in 11 Gansu Enterprises"]

[Text] In 1990, with approval from the State Council, China tried a new method of regulation and control management—the "double guarantee"—in 234 key backbone industrial enterprises that were related to the state plan and people's livelihoods. This method meant that the state would guarantee to meet enterprises' normal production needs for capital, energy, materials, and transportation, and enterprises would guarantee the production and transfer of key products and taxes needed by the state.

A year later, what is the production and management situation in "double-guarantee" enterprises? What are the new situations and new problems? People may get a glimpse of and an insight into the situation from the trial results of Gansu's 11 "double-guarantee" enterprises, which account for 4.7 percent of all "double-guarantee" enterprises nationwide.

#### Both Objectives of the "Double Guarantee" Have Been Achieved

According to the latest statistics from Gansu Province's Planning Commission and Statistics Bureau, in 1990 the state and concerned departments within the Gansu provincial government conscientiously implemented the "double-guarantee" policy. They conducted large amounts of organizational and coordinating work, providing a total increase of 238 million yuan in circulating fund credit for the 11 "double-guarantee" enterprises, and a real electricity supply of over 6.6 billion kilowatt hours. Except for a few items which had insufficient supplies, supply plans for the 11 main raw or supplementary materials needed for production were mostly filled or filled above target. Railway departments transported out 6.3 million tons of products for the enterprises, exceeding the transportation plan by 3.12 percent.

With the support of slanted state policies, in one year the 11 enterprises produced over 6.17 million tons of 15 state-examined key products, such as crude oil, refined oil, chemical products, nonferrous metals, and iron and steel. This exceeded the state plan by 4.7 percent.

Practice has proven that the "double-guarantee" method is an effective way for the state to enhance plan management using planning mechanisms and administrative and economic means; to ensure the production and distribution of key state products; and to increase aggregate social supply by improving external conditions for key backbone enterprises.

### Big Differences in Economic Efficiency

However, since the "double guarantee" began, enterprise efficiency has shifted in completely opposite directions, both rising and falling.

After generating record levels of profits and taxes in 1989, Jinchuan Nonferrous Metal Company, Lanzhou Chemical Company, and Lanzhou Aluminum Plant increased their total amount of profits and taxes to 720 million yuan, representing increases of more than 10 to 20 percent over the 620 million yuan of the previous year.

The total amount of profits and taxes from the Lanzhou General Refining and Chemical Plant, Baiyin Nonferrous Metal Company, Liancheng Aluminum Plant, Jiuquan Iron and Steel Company, Lanzhou Carbon Plant, and Northwest Iron Alloy Plant decreased from 640 million yuan in the previous year to 560 million yuan, representing decreases of between 3 and 70 percent.

In the Yumen Petroleum Management Bureau and the Changqing Petroleum Exploration Bureau, two enterprises which were policy losers, total losses increased from 112 million yuan in the previous year to 186 million yuan, an increase in losses of 65 percent.

The above situations indicate that since the trial of the "double-guarantee" policy, the 11 enterprises relatively successfully fulfilled the production and transfer of key state products and met tax delivery plans. However, the majority of enterprises did not achieve synchronized increases in production and efficiency.

### The Key Lies in the Enterprises Themselves

Why have there been differences in efficiency in plants with the same "double guarantee"? Was it because enterprises with greater efficiency had no difficulties? No. Last year, despite the fact that the "double guarantee" led to some improvement in enterprises' external environments, all enterprises encountered many serious difficulties due to the impact of the larger, national economic environment and the domestic and external markets. In particular, there were unprecedented slow sales of products that were previously in very short supply, such as refined oil, nonferrous metals, silicon iron, and carbon products. This resulted in gaps between state production plans and real demand.

Was it because cadres and employees did not work hard? No. In enterprises, including those with declining economic efficiency, the broad masses of workers did not acquire a mentality of dependence, enjoying the "double-guarantee" treatment; they worked long and very hard to overcome the difficulties facing enterprises. As an example, under the difficult conditions of insufficient supplies of crude oil, aging production facilities, slow product sales, and an expected non-operating loss of over 100 million yuan, Lanzhou Refinery not only increased crude oil refining, sales revenues, and tax delivery by 6.2, 14.2, and 3.3 percent respectively, but it also suffered no

losses, thanks to extensive double-increase, double-economy activities and to rationalization suggestions. Faced with the huge disaster of the accidental collapse of Blast Furnace No One, Jiuquan Steel relied on the creative power of tens of thousands of employees and fulfilled state plans above quota, exceeding its steel and steel products plans by 138 and 61 percent respectively; it also increased tax delivery by 8.8 percent over the previous year.

So, what have been the basic factors determining the rise or fall in economic efficiency in the 11 enterprises? They have been the inner qualities and vitality of the enterprises. For instance, last year Lanzhou Aluminum Plant also encountered problems with low sales of aluminum ingots and price hikes for raw materials and electricity, yet this plant persevered in reform, effectively enhanced enterprise management, and fully utilized the initiative of ranks of employees. Thus for 6 years consecutive it maintained a first-grade rate of 100 percent for aluminum ingots and a high-quality product rate of 96.67 percent, the highest in the industry. It achieved the status of being the lowest consumer of material and electricity in the industry. Not only did it exceed its production plan by 56.56 percent, it also sold all of its products, leaving no inventory; this increased sales revenues and the profit and tax realization by 12.6 and 14.1 percent respectively, thus placing it among the ranks of first-grade state enterprises.

External factors are the conditions for change and the internal factors are the bases of change. The cases of the "double-guarantee" enterprises have fully proven the correctness of this axiom.

### Hebei Issues 1990 Statistical Report

91CE0402A Shijiazhuang HEBEI RIBAO in Chinese  
12 Feb 91 p 2

["Hebei Statistical Bureau Report on National Economic and Social Development During 1990"]

[Text] Acting under leadership of the provincial CPC committee and government, people everywhere in Hebei scored marked achievements during 1990 in the diligent implementation of CPC Central Committee policies for improving the economic environment and rectifying the economic order, and for deepening reform. They actively implemented a series of macroeconomic regulation and control measures for substantial completion of various anticipated tasks in the national economy. The macro-economy was characterized by three conspicuous features: First, it went through a slump, slowly rallying to substantially normal operation in three stages. Second was the gradual easing of superficial contradictions that restricted operation of the economy; and third was the substantial balancing of overall social supply and demand, the differential between social supply and demand narrowing from 12 percent in 1989 to five percent in 1990. Preliminary calculations show a GNP for the year of 82.67 billion for the province, up 4.8

percent from 1989. [See notes] National income was 70.46 billion yuan, up 4.2 percent; and social gross output value was 173.42 billion yuan, up 5.8 percent, including a gross output value for industry and agriculture of 146.7 billion yuan, up 6.6 percent. New achievements were also made in social endeavors in the fields of education, science and technology, culture, health, and physical education. Main problems in operation of the economy were: A not entirely rational economic structure, imbalance between production and marketing, poor economic returns for enterprises, and government financial difficulties, conflicts in these areas continuing prominent. Latent inflationary pressures increased.

### 1. Agriculture

"Total Bumper Harvest in Agriculture. The gross output value of agriculture for the year was 35.1 billion yuan, up 5.2 percent from 1989. This included an output value of 23.36 billion yuan for farming, up 7.1 percent; an output value of 940 million yuan for forestry, up 8.8 percent; an 8.02 billion yuan output value for animal husbandry, up 7.2 percent; a 1.15 billion yuan output value for the fishing industry, up 39.7 percent; and a 1.63 billion yuan output value for sideline occupations, down 23.8 percent.

Tremendous growth of farming. Thanks to further strengthening of the basic position of agriculture, as well as favorable crop weather, new breakthroughs were made in the output of principal farm products. Gross output of grain created another all-time high, and a turnaround occurred in cotton and edible oil crop production following two consecutive years at a standstill for an increase in output of both.

Outputs of Principle Farm Products Were As follows:

1990 Farm Products Output		
	1990	Percent Increase Over 1989
Total Grain	22,769 million tons	10.1
Summer Grain	9,298 million tons	8.4
Autumn Grain	13,471 million tons	11.3
Cotton	571,000 tons	6.5
Total Oil Crops	749,000 tons	33.8
Peanuts	578,000	19.5
Sugarbeets	123,000 tons	1.8 fold
Jute and Ambari Hemp	18,000 tons	2.8
Flue-cured Tobacco	12,000 tons	-12.8
Mulberry Silkworms	693.8 tons	36.2
Total Dried and Fresh Fruits	1,805,000 tons	-5.1
Fresh Fruits	1,755,000 tons	-5.3

Sustained Development of Forestry Production. The afforested area for the year totaled 4.15 million mu

(exclusive of the orchard area), up 10.3 percent from 1989. Sixty-four of the provinces 94 plains area counties met their plains area greening standards, and four prefectures and municipalities completely reached plains area greening standards. Greening projects around the capital city overfulfilled their annual quota. Quality of afforestation steadily improved.

Animal husbandry output continued to increase. Both the number of hogs removed from inventory and in inventory increased for the year, and output of meat, poultry, eggs, and milk showed an all-around increase.

Output of principal livestock products and numbers of animals in inventory were as follows:

Livestock Product Output and Animals in Inventory		
	1990	Percentage Increase Over 1989
Total Meat Output	1,301,000 tons	8.3
Pork, Beef, Mutton and Goat Output	1,212,000 tons	8.2
Milk	112,000 tons	8.2
Sheep Wool	13,000 tons	0.8
Poultry Egg Output	513,000 tons	14.5
Number of Porkers Removed From Inventory	13,955,000 head	6.0
Number of Hogs in Inventory at Year End	14,942,000 head	1.1
Number of Sheep and Goats in Inventory at Year End	10,745,000 head	-7.1
Number of Draft Animals in Inventory at Year End	5,252,000 head	1.6

Fishing industry production reached new heights. Aquatic products output for the year totaled 219,000 tons, up 4.6 percent from 1989. This included a marine aquatic products output of 165,000 tons, up 4.2 percent; and a fresh water aquatic products output of 54,000 tons, up 5.9 percent.

Conditions for agricultural production improved further. The degree of farm mechanization rose anew. Total power of farm machinery in the province was 28,223,000 kilowatts, up 4.2 percent from 1989. Farm machines and tools of various kinds suited to agricultural production increased steadily. This included 594,000 small tractors and hand tractors, up 8.8 percent; 56,000 machine-powered harvesters (including mowing machines), up 11.3 percent; 1,624 combines, up 53.2 percent; and 507,000 powered threshing machines, up 11.2 percent. Farmland water conservancy construction increased. Powered drainage and irrigation machinery throughout the province had a power of 14,613,000 kilowatts, up 5.0 percent. The effectively irrigated farmland area was 56,377,000 mu, up 1.14 million mu, and

motor-pumped wells increased by 23,000 during the year. Application of agricultural science and technology steadily increased. Application of chemical fertilizer (scalar quantity) totaled 1,452,000 tons for the year, up 7.2 percent, and the sensible application of all kinds of chemical fertilizer was emphasized. New accomplishments were made in the large scale Haihe Plain development and harnessing project, 94,584,000 yuan being invested in development during the year for the transformation of 900,000 mu of medium and low yield fields, and the improvement and increase of a 593,000 mu effectively irrigated area (as of the end of November 1990). Nevertheless, overall, the foundation for agriculture remains brittle, and ability to withstand natural disasters is still not sufficiently strong. Further work must also be done on the socialized service system for agriculture.

The rural economy developed steadily. Gross rural social output value in the province reached 86.56 billion yuan. This included a rural industrial output value of 40.5 billion yuan, a construction industry output value of 5.49 billion yuan, a transportation industry output value of 2.26 billion yuan, and a commercial beverage output value of 3.21 billion yuan. The gross output value of rural society now accounts for 49.9 percent of the province's gross social output value.

## 2. Industry

Industrial production rose month by month from negative growth at the beginning of the year. Gross industrial output for the year was 111.6 billion yuan, up 6.9 percent from 1989. This included a gross output value of 78.66 billion yuan at the township level and above for a 4.5 percent increase. The increase was 0.2 percent greater during the first quarter, 3.3 percent greater during the second quarter, and 2.8 percent greater during the third quarter than during the same periods in 1989. During the fourth quarter, the speed of the rally increased even further, reaching 10.8 percent. In gross industrial output value, the output value of industries under ownership of the whole people was 54.92 billion yuan, up 2.7 percent from 1989; the output value of collective industries was 22.77 billion yuan, up 7.3 percent from 1989 (including a 13.2 percent increase in township-operated industries); the output value of city and town jointly operated enterprises and individually owned industries was 940 million yuan, up 39.5 percent; the output value of industries at the village level and below was 32 billion yuan, up 13.3 percent; and the output value of other economic type industries was 970,000 yuan, up 46.7 percent. The gross output value of light industry for the year was 53.22 billion yuan, up 6.2 percent from 1989. The gross output value of heavy industry was 58.38 billion yuan, up 7.6 percent.

Preliminary results were gained in the readjustment of the industrial structure. First was vigorous development of new products in an effort to increase output of readily marketable products. Output of 82 different major products, including consumer goods used in daily life such as

matches, chemical fibers, silk, dairy products, and synthetic detergents increased between 4.5 and 54.1 percent over 1989. Output of energy and raw materials including the amount of pig iron, steel, machine-made coke, aluminum, and crude oil processed, and of soda ash, as well as of products to support agriculture such as chemical pesticides, and small tractors increased from 5.5 percent to 6.3 fold. At the same time, output of some goods that did not sell well such as bicycles, wristwatches, tape recorders, and machine tools declined by from 10.4 to 43.8 percent. Second, a number of small processing enterprises that consumed too much raw materials and energy, wasted a lot, and polluted seriously, as well as those that competed with major enterprises for energy and raw materials, were closed down, suspended operation, merged with other enterprises, or switched to the manufacture of other products. During the first 10 months of the year alone, 1,410 enterprises throughout the province either closed or suspended operation. This included 1,330 collective enterprises, or 94.3 percent of the total number; and 688 processing enterprises, or 48.8 percent of such enterprises. A total of 177 enterprises in the province either merged with others or switched to the manufacture of other products. This included 137 collective enterprises, or 77.4 percent of the total. Among the enterprises that closed, suspended operation, merged, or changed to other lines of work, small cotton textile enterprises, small cement enterprises, small paper manufacturing enterprises, and small coke-making enterprises numbered 403, or 25.4 percent of the total number. Third, the situation was changed whereby the development of basic industries lagged behind that of processing industries. Readjustment of the industrial structure gradually got underway, but internal structural conflicts remain very prominent.

Major industrial products are as follows:

Major Industrial Products		
	1990	Percent Increase Over 1989
Yarn	318,000 tons	-5.2
Cotton Cloth	1.19 million meters	-11.8
Silk Fabric	38,611,000 meters	-6.5
Woolen Goods	6,462,000 tons [sic]	3.5
Wool	3,778.8 tons	-43.9
Machine-made Paper and Paper Board	603,000 tons	-24.2
Matches	1,953,000	19.4
Synthetic Detergent	36,000 tons	4.5
Crude Salt	1,777,000 tons	-46.3
Cigarettes	1,186,000 cases	5.1
Fine aluminumware	2,000 tons	-10.3
Bicycles	439,000	-14.3
Wristwatches	675,000	-10.4
Total Television Sets	178,000	-55.5

Major Industrial Products		
	1990	Percent Increase Over 1989
Color Television Sets	76,000	-42.1
Beer	433,000 tons	-9.4
Chemicals and Pharmaceuticals (Crude Pharmaceuticals)	15,000 tons	-4.7
Movie Film (35 mm)	74,908,000 meters	-14.9
Tape Recorders	53,000 units	-61.7
Household Refrigerators	784	-70.3
Total Energy Produced (in terms of standard coal)	52,299,000 tons	-2.3
Raw Coal	61,910,000 tons	-2.1
Crude Oil	5,673,000 tons	-1.8
Electricity Generated	36.46 billion kwh	-0.3
Iron Ore (Raw Ore)	23,290,000 tons	-4.3
Pig Iron	4,996,000 tons	15.3
Steel	3,826,000 tons	9.0
Finished Steel Products	2,831,000	4.9
Cement	12,306,000 tons	-12.2
Timber	106,000 cubic meters	5.9
Sulfuric Acid	545,000 tons	-11.6
Caustic Soda	119,000	9.4
Soda Ash	266,000 tons	6.3 fold
Chemical Fertilizer (scalar value)	1,319,000 tons	-2.5
Chemical Pesticides (scalar value)	11,000 tons	15.5
Metal Cutting Machines	1,633	-43.8
Motor Vehicles	8,531	67.3
Small Tractors	128,000	13.4
Plate Glass	10,785,00 heavy cases	-2.8

Industry showed rather poor economic returns. For various reasons including slack sales, slow recovery, and poor administration and management of some enterprises, the decline in economic returns continued. Profits and tax payments of 2,000 state-owned industrial enterprises within local budget throughout the province totaled 2.85 billion yuan in a 26.2 percent decline from 1989. Losses of failing enterprises totaled 790 million yuan, a 3.6 fold increase in losses. The profit and tax rate on equity was 11 percent, down 9 percentage points from 1989. A total of 4.69 billion yuan was tied up in finished products, up 24.5 percent. The number of days required for fixed quota working capital to circulate slowed from 108 days in 1989 to 139 days in 1990 as comparable product costs rose 7.6 percent. The all-personnel labor productivity rate in independently accounting industrial enterprises under ownership of the whole people rose only 1.6 percent over 1989.

### 3. Investment in Fixed Assets and the Construction Industry

Investment in fixed assets owned by the whole people increased, but investment in collective or individually owned assets decreased. In 1990, investment in fixed assets totaled 17.76 billion yuan, 7.9 percent less than in 1989. This included an investment of 11.14 billion yuan in units under ownership of the whole people for a 7.3 percent increase in terms of comparable items; an investment of 580,000 yuan in units under the collective ownership of cities and towns for a 25.6 percent decline; an investment of 1.54 billion yuan in units under rural village collective ownership, down 44.5 percent; an investment of 210 million yuan by individuals in cities and towns, up 4.0 percent; and an investment of 4.29 billion yuan by individuals in rural villages, down 20.8 percent. Investment in fixed enterprises in units under ownership of the whole people included 6.24 billion yuan invested in capital construction for a 9.0 percent increase in comparable items. This included a 2.68 billion yuan investment in local projects, up 25.4 percent. Investment in renovation and technical transformation totaled 4.15 billion yuan, up 6.3 percent in terms of comparable items and including a 3.08 billion investment in local project, up 6.2 percent.

The investment structure saw further readjustment. Of the investment in capital construction projects under ownership of the whole people, investment in basic industries, and in cultural, educational, medical, and broadcasting endeavors accelerated. It included a 280 million yuan investment in farming, forestry, animal husbandry, fisheries, and water conservancy in a 1.5 fold increase over 1989, the percentage increasing from 1.9 in 1989 to 4.6 in 1990. The investment in energy industries was 2.44 billion yuan, up 18.9 percent, the percentage increasing from 35.0 to 39.1 percent. Investment in cultural, educational, medical, and broadcasting activities totaled 390 million yuan, up 7.9 percent, the percentage increasing from 6.1 to 6.2 percent. Of the investment in renovation and technical transformation projects under ownership of the whole people, the percentage invested in intensive expansion of reproduction rose. The rise included an investment of 280 million yuan in farming, forestry, animal husbandry, the fishing industry and water conservancy in a 1.5 fold increase over 1989, the percentage increase rising from 1.9 in 1989 to 4.6 in 1990. Investment in energy industries totaled 2.44 billion yuan, up 18.9 percent, the percentage rising from 35.0 percent in 1989 to 39.1 percent in 1990. The investment in culture, education, health care, and broadcasting was 390 million yuan, up 7.9 percent, the percentage of investment for these purposes rising from 6.1 to 6.2 percent. Of the investment in renovation and technical transformation projects under ownership of the whole people, the percentage of investment in intensive expansion of reproduction rose, but the percentage used for expansion of the scale of production declined. This included a 910,000 yuan investment for increasing varieties, the percentage used for this purpose rising from 17.2 percent in 1989 to 23.5 percent in 1990.

Investment to expand the scale of production was 1.71 billion yuan, which was 6.0 percent of the investment in construction for production purposes. This was a decline in the percentage of investment for this purpose from the 51.6 percent of 1989 to 44.1 percent in 1990.

New advances were made in key construction. In 1990, 1,247 capital construction projects were completed and went into production for the addition of 5.27 billion yuan in fixed assets. A total of 1,045 renovation and technical transformation projects were completed and went into production for the addition of 3.41 billion yuan in fixed assets. A total of 3.02 billion yuan was invested in the 35 large and medium size capital construction projects on which construction began during the year, a 4.5 percent increase over 1989. For nine key projects whose construction the state organized for completion within a reasonable period of time, 1.05 billion yuan was invested. Construction on five large, intermediate and key capital construction projects and on three individual projects was completed during the year. Construction has been completed on the 604 Paper Mill in Baoding, the Shang'an Electric Power Plant in Shijiazhuang, the Baoding Transformer Plant's "75" Expansion Project, the Lincheng coal mine, and the Tangshan Steel and Iron Works, and they have gone into production. In eastern Hebei, the Petroleum Prospecting Development Corporation, and the Hebei Transmission and Transformation Electricity project have been completed and have gone into production. The completion as well as the continuous stream of several new projects adds follow-up capacity for Hebei's economic development.

Newly added major production capacity or benefits from capital construction, and from renovation and technical transformation of units under ownership of the whole people throughout the province during 1990 was as follows: Mining of 1.59 million tons of iron ore, mining of 530,000 tons of coal, smelting of 80,000 tons of steel, 864,000 kilowatts of installed power generation capacity, pumping of 16,000 tons of crude oil, construction of 636.5 kilometers of power transmission lines, building of 3,293,000 kilovolt-amperes of transformer equipment, production of 32,000 tons of caustic soda, of 116,000 tons of chemical fertilizer (scalar quantity), of 1,084,000 tons of cement, of 1,169,000 heavy cases of plate class, of 65,000 tons of machine-made paper and paper board, and of 283,000 cotton textile spindles, providing 8,634 places for students in institutions of higher education, and 140,000 square meters of commercial service network outlet points.

Construction industry output value declined, and returns were off. The gross output value of construction industry enterprises under ownership of the whole people provincially was 5.92 billion yuan, down 0.2 percent from 1989. Quite a few construction enterprises had insufficient work to do. Their profits declined, their losses increased, and their returns were far from ideal. The all-personnel labor productivity rate figured in terms of gross output value was 13,584 yuan, up by only 1.3 percent.

New achievements were scored in geological survey and prospecting work. The provincial geological mineral products system completed 167,000 meters of exploratory drilling during the year. They found or verified 17 mineral sites containing industrial mineral deposits. Newly proven reserves of iron, lead and zinc, silver, and copper placed under state plan increased tremendously. During the year, 46 geological reports were submitted to the state. The Ministry of Geology termed Hebei a province with outstanding achievements in finding mineral deposits.

#### 4. Transportation, and Posts and Telecommunications

Transportation saw steady development. Passenger transportation volume declined for the year, but freight transportation maintained momentum toward increase. Transportation of key materials such as coal and products for the support of agriculture improved correspondingly, transportation order taking a turn for the better.

Volume of transportation by various modes of transportation was as shown below:

Transportation Volume During 1990		
	1990	Percent Increase Over 1989
Freight Turnover	135.34 billion ton kilometers	1.9
Railroads	125.68 billion ton kilometers	2.5
Highways	2.7 billion ton kilometers	-12.8
Water	4.39 billion ton kilometers	-4.0
Pipeline	2.57 billion ton kilometers	-1.8
Passenger Turnover	31.62 billion ton kilometers	-9.9
Railroads	24.94 billion ton kilometers	-12.1
Highways	6.68 billion ton kilometers	-0.8

The port of Qinhuangdao handled 69,451,000 tons of cargo, 5.8 percent more than in 1989 for an all-time high.

Civil aviation also saw new development. The Hebei Civil Aviation Bureau opened nine routes to Beijing, Shanghai, Guangzhou, Nanjing, and Hohhot inter alia, a flight distance of 7,750 kilometers. Flights for the year totaled 1,274 in number carrying 41,000 passengers. This was a 63.3 percent increase over 1989. The seat utilization rate on main routes was 100 percent. A total of 553.3 tons of freight were carried, down 0.8 percent.

Posts and telecommunications developed rapidly. Business volume for the year totaled 280 million yuan, up 11.9 percent from 1989. The rapidity, accuracy, and clarity of some transmissions was very well received. Special delivery mail, express mail, fax transmission,

telex, postal savings, and philately increased tremendously. Fax transmissions for the year totaled 5,000 in an 86 fold increase over 1989. A total of 44,465,000 long distance calls were completed, up 33.9 percent from 1989; postal savings amounted to 25,096,000 yuan, up 49.4 percent, and 12.31 million worth of philately business was done, up 29.2 percent. Urban telephone customers numbered 198,000 households at the end of the year, up 16.2 percent. By year-end, rural telephone customers numbered 38,000 households, up 10.2 percent.

#### 5. Business, Prices, and Goods Supply and Marketing

The city and countryside market slump began to show gradual upturn. Retail sales of social commodities for the year totaled 37.93 billion yuan, up 1.3 percent from 1989. Retail sales were characterized as follows: First, in August, the decline in retail sales of social commodities began to show an upturn. Second, urban markets became substantially normal during the fourth quarter, and rural markets also began to show life, with seasonal sales of social commodities rising 9.2 percent over the same period in 1989. Third, the number of kinds of commodities for which sales had slumped gradually declined. Sales of household appliances, in particular, rebounded substantially. Retail sales figures for social commodities showed retail sales of 7.32 billion yuan for agricultural means of production, up 4.7 percent, and consumer goods retail sales amounting to 30.61 billion yuan, up 0.5 percent. This included retail sales to residents of 27.83 billion worth of consumer goods, up 0.1 percent, and retail sales to social groups of 2.79 billion yuan, up 4.9 percent.

New changes occurred in the make-up of consumer goods sales. Food sales increased 1.4 percent over 1989, food as a percentage of all consumer goods sales increasing from the 50.0 percent of 1989 to 50.5 percent in 1990. Clothing sales increased 6.3 percent, rising from 14.6 to 15.4 percent as a percentage of total consumer goods sales. Sales of commodities used in daily life decreased 3.2 percent, declining from 35.3 to 34.0 percent as a percentage of total consumer goods sales.

Retail sales figures for commodities of all economic types showed 16.27 billion yuan in retail sales by units under ownership of the whole people, up 4.2 percent from 1989; 7.17 billion yuan in retail sales of supply and marketing cooperative businesses, up 0.2 percent; retail sales of 4.70 billion yuan by other businesses under collective ownership, down 10.0 percent; retail sales of 40 million yuan by jointly operated businesses, up 1.3 fold; and retail sales of 7.22 billion yuan for individually owned businesses, up 2.6 percent. Peasant retail sales to nonagricultural residents totaled 2.52 billion yuan, up 5.1 percent.

Business purchases of commodities totaled 27.73 billion yuan for the year, up 3.5 percent. This included 16.69 billion yuan in purchases of industrial wares, up 4.1

percent; and 10.36 billion yuan in purchases of agricultural by-products, up 0.6 percent. Commodities valued at 4.3 billion yuan were shipped outside the province, up 12.5 percent. Commodities valued at 7.37 billion yuan were shipped into the province, up 2.9 percent. At year's end, businesses had 14.66 billion yuan worth of commodities in inventory, 7.2 percent more than at the end of 1989.

Prices were flat. The retail price index for the year was 99.9. Thanks to a bumper harvest in agriculture, a large amount of purchasing power flowed into bank savings accounts. Market supply and demand was relatively stable, prices turning stable after going through two consecutive years of tremendous rise. The overall retail price level for the year was down 0.1 percent from 1989, very much lower than the 18.4 percent rise of 1989, making 1990 the lowest year since reform. As between the city and countryside, the overall retail price level in cities and towns fell 0.1 percent from 1989, while it remained flat in the countryside.

The retail price index by commodity types is provided below:

Retail Price Index by Types of Commodities	
	1990
Foodstuffs in general	98.0
Grain	91.1
Meat, Poultry, Eggs	95.2
Fresh Vegetables	99.2
Aquatic Products	99.0
Clothing	107.0
Goods Used in Daily Life	100.0
Pharmaceuticals and Medical Treatment Materials	103.9
Construction and Decorative Materials	91.8
Fuel	103.4
Agricultural Means of Production in General	103.5
Chemical Fertilizer	102.5
Pesticides	106.5
Farm Machinery Lubricants	101

The overall price level of purchases used in daily life for the year rose 0.6 percent, a rate of increase markedly lower than the 18.7 percent of 1989. As between cities and the countryside, prices that city and town staff members and workers paid for things used in daily life rose 1.2 percent over 1989. This included a 16.5 percent rise for clothing. Prices that peasants paid for items used in daily life declined 0.1 percent from 1989.

Procurement prices of agricultural by-products rose slightly, increasing 2.8 percent for the whole year. This was a 16.2 percentage point decline from the rate of price

increase in 1989. By category, the procurement price of grain declined 6.8 percent, and rose 23.5 percent for cash crops. This included a 6.2 percent decline for edible vegetable oils and oil-bearing crops, a 30.8 percent in cotton procurement prices; a 17.2 percent decline in livestock and poultry product procurement prices; a 2.8 percent decline in silkworm cocoon and natural silk procurement prices; a 4.4 percent increase in procurement prices of dried and fresh fruits; and a 1.7 percent decline in dried and fresh vegetables, and in condiment procurement prices. This included a 1.5 percent rise in fresh vegetable procurement prices, a 1.4 percent decline in medicinal material procurement prices, a 19.0 percent in local agricultural by-product procurement prices; and a 10.6 percent rise in aquatic product procurement prices, including a 33.3 percent rise in procurement prices of marine products.

Means of production markets also revived from their slump. The provincial materials system had means of production retail sales of 13.1 billion yuan for the year, down 0.5 percent from 1989. This included the sale of 2,297,000 tons of processed steel, up 7.4 percent; 22,076,000 tons of coal, down 3.6 percent; and 1,966,000 tons of cement, down 5.6 percent. Purchases of means of production for the year totaled 12.03 billion yuan, down 3.1 percent. Means of production in inventory at the end of year had a value of 1.79 billion yuan, up 4.8 percent.

## 6. Foreign Trade and Tourism

Foreign trade exports maintained development momentum. Exports for the year totaled \$1.74 billion, a 6.1 percent increase over 1989. This included sundry exports of \$1.26 billion, not counting crude oil, up 0.2 percent from 1989. The export commodity mix improved, industrial manufactures accounting for a markedly higher percentage of export commodities than during the past several years.

More foreign capital was taken in. Foreign capital used during the year totaled \$44.47 million, a 1.7 percent increase. This included a foreign businessman direct investment of \$39.35 million, up 46.6 percent. New contracts for the use of foreign capital signed during the year totaled 110, up 50.7 percent. These contracts called for an investment of \$88.7 million. Fifty-eight items of technological equipment were imported having a value of \$55 million, up 8.9 percent.

Foreign exchange earnings from invisibles for the year totaled \$38.61 million, up 7 percent from 1989. Foreign project contracts and cooperative deals in the field of labor services totaled \$63.38 million in value. New contracts signed during the year had a value of \$8,497,000, up 15.4 percent.

International tourism revived quickly. During the year, 47,000 people from 58 countries and territories, including tourists, sightseers, visitors, and persons engaged in various activities were received. This was 74

percent more than during 1989. Foreign exchange earnings from tourism totaled 30.53 million renminbi, up 55 percent. Domestic tourism was on the rise, tourists numbering 15.37 million for the year, up 34 percent, and producing 230 million yuan in income, up 22 percent.

#### **7. Government Finance, Finance and Banking, and Insurance**

Achievements in government financial work showed improvement. Local government financial revenues for the year amounted to 8.08 billion yuan, up 6.1 percent from 1989. This included 7.05 billion yuan in industrial and commercial revenues, up 7.4 percent; and 370 million yuan from agricultural taxes and taxes for cultivated land takeovers, up 3.7 percent. Enterprise earnings showed a 56.1 percent increase in losses over 1989. Local government financial expenditures were 8.73 billion yuan, up 12.9 percent calculated in terms of comparative items. This included a 5.8 percent increase in expenditures for capital construction, and a 28.3 percent increase in expenditures to support rural production and various agricultural endeavors. Expenditures for culture, education, and medical care increased 13.1 percent; administrative and management expenses increased 16.5 percent, and price subsidies increased 20.0 percent.

Finance and banking supported economic development. By the end of the year, bank savings amounted to 55.42 billion yuan, 11.77 billion yuan more than at the beginning of the year. Bank loans outstanding stood at 63.13 billion yuan, up 10.65 billion yuan from the beginning of the year. Monetary receipts exceeded expenditures, making 1990 the best year during the past 20 years for removal of currency from circulation. Bank cash receipts for the year totaled 83.23 billion yuan, up 13.5 percent. Cash expenditures totaled 82.52 billion yuan, up 9.9 percent. After offsetting receipts against expenditures, a net 710,000 million yuan in currency was removed from circulation. A total of 2.47 billion yuan more currency was removed from circulation than in 1989.

The insurance business further widened the services it provided. Kinds of risks insured in China and abroad developed to include property insurance, agricultural insurance, personal injury insurance, liability insurance, and 2,100 foreign water risk and nonwater risk policies. The insurance business carried responsibility for 134.7 billion yuan worth of risk to 28,000 enterprises, more than 400,000 motor vehicles, more than 4 million homes, and more than 21 million mu of agricultural crops. It also was responsible for insuring 7.64 million people against personal injuries of various kinds totaling 21.1 billion yuan. A total of 120,000 domestic and foreign property insurance indemnification cases were handled in the province, 280 million yuan paid in claims. Payments were made on various personal injury claims to more than 250,000 people totaling 88.8 million yuan. As of the end of the year, property insurance and personal injury insurance reserves in the province stood at a cumulative 660 million yuan, strengthening ability of insurance to make economic compensation.

#### **8. Science and Technology**

Further implementation of the "science and technology advance" strategy spurred development of the province's economy. Science and technology scored marked accomplishments all year long, winning nine national science and technology progress awards, Hebei Province placing second in the country in number of awards. It also won four national invention awards. At the Second International Proprietary Technology and New Products Fair, Hebei had 20 exhibits and won 12 prizes for a 60 percent prizewinning rate. At the Fifth National Invention Fair, Hebei had 34 exhibits and won 18 prizes for a 52.9 percent prizewinning rate. The province had 1,180 major scientific and technical accomplishments, 19 of which were international firsts, 131 on which were at advanced international levels, 381 of which were national firsts, 512 of which attained an advanced domestic level, and 137 of which were at the provincial advanced level. There were 292 items that received provincial advanced science and technology awards, and 28 that received a spark award. Ten units earned the "provincial governor's special award for scientific and technical advances." New advances and countless achievements were made in social science research as well.

Marked advances were made in various state and province-promoted scientific and technical development plans. The province had 3,611 scientific research topics covered by plan, 90 percent of which completed their tasks in accordance with the pace set by plan. New industrial output value amounted to 1.14 billion yuan, with taxes and profits of 260 million yuan. New agricultural income amounted to 640 million yuan, with new foreign exchange earnings of \$30,148,000. A total of 679 tasks have been authenticated for acceptance, 25 achievements meeting advanced international standards, and 350 achievements meeting advanced domestic standards. All scientific and technical achievement have been applied, those scientific and technical achievements emphasized for promotion adding an additional 2.76 billion yuan in output value, 470 million yuan in taxes and profits, and \$52.03 million in foreign exchange. Research on the rational regulation, control and use of water resources in the coastal water-short saline area and brackish water area of the Huang, Huai, and Hai Plain, research on wheat germ plasm, research on the mechanism by which nitrogenated choline increases crop yields, as well as research on trends in climatic changes in Hebei by 2000 reached advanced international standards.

Additional new advances were made in reform of the science and technology system. New institute director responsibility systems were instituted in 143 of the province's 148 independent scientific research institutions, and 70 percent of scientific research institutions instituted the contracting of operations, and term-of-office goals responsibility systems. Institution of task contracting and personal position responsibility systems produced more scientific and technical achievements



than during 1989. Thirty percent of the province's scientific research institutions established more than 300 scientific research and production partnerships with enterprises, operating 120 economics of technology entities. New advances were made in the invigoration of agriculture through science and technology. Rural science and technology is in process of building socialized complete process service systems, separating 12,000 people from county level science and technology, and administrative departments to set up 1,099 scientific and technical service agencies. The township level has already set up more than 2,000 economics of technology service entities employing 80,000 people, and village level technical service stations already number more than 10,000. They have fostered more than 600 science and technology demonstration villages, and 640,000 science and technology demonstration households. There are now 2612 science and technology contracting groups in the province in which 31,000 persons take part for the contracting of 26.42 million mu of grain and cotton, 2,499,000 mu of orchards, and 25,383,000 head of livestock and poultry. Contracting groups have become a major means for the promotion of advanced, applied techniques to large areas. Both their social and economic benefits are very pronounced.

Enterprises' technology development work saw further enhancement. During the year, large- and medium-sized industrial enterprises set up a total of 443 dedicated technology development organizations. This was 94 more than in 1989. Technical development projects organized that have expenditures of 10,000 yuan or more numbered 1,898 in a 94 project increase. "Spark plans" were remarkably successful in invigorating the rural economy. A total of 1,848 high level spark plan training courses were run in the province, training 89,000 personnel.

Patenting saw steady development, and technology markets became livelier. A total of 1,477 patent applications were accepted during the year in a 39.6 percent increase. Patents approved numbered 713 in a 26.2 percent rise. The province now has 120 technology trading organizations. They signed 5,099 technology contracts during the year, 45.9 percent more than in 1989. Their trading volume was 200 million yuan in a 1.1 fold increase. They have played a role as hubs in linking science and technology to the economy.

The science and technology corps has expanded further. At yearend, the province had 831,000 specialized technical personnel in various kinds of local units under ownership of the whole people. This was a 1.17 percent increase over 1990, and included 344,000 natural sciences technical personnel, up 1.7 percent; and 487,000 social science personnel, up 0.8 percent. The province had 148 independent research and development organizations under ownership of the whole people at the country level or above employing 12,000 people. This included 4,675 scientists and engineers. Institutions of higher learning in the province had 48,000 people engaged in scientific and technical activities, including

5,000 scientists and engineers. The province has established 3,240 township and town societies for the popularization of science, and 422 factory and mine science associations with a total of 63,000 members.

Scientific and technical work in building the economy and managing social life improved. The provincial standard measurements system arbitrated and inspected quality of 114 locally made products and received 1,528 letters and visits from the public. It accepted 13,776 cases of violations of standard measurements laws, disposing of 13,355 of them. Environmental protection, meteorological, seismic, and mapping units played a positive role in building the economy and in social life.

### 9. Education and Culture

The number of students enrolled in institutions of higher education increased, and the educational structure was further optimized. A total of 226 post-graduate students (including six doctoral candidates) were enrolled in the province, a 15.9 percent increase over 1989. Graduate students numbered 698, a 14.3 percent decline. Graduated graduate students numbered 285. Ordinary institution of higher education enrollments of undergraduate students and professional trainees numbered 24,000, up 2.2 percent from 1989. Students in school numbered 76,000, up 1.3 percent, and 23,000 students graduated.

Secondary school education developed steadily. Students enrolled in various kinds of secondary technical schools throughout the province numbered 59,000 (including 24,000 technical school students) in a 0.2 percent decline from 1989. Students in school numbered 171,000 (including 63,000 technical school students), up 5.0 percent. Graduates (including technical school students) numbered 312,000. The number of students in agricultural senior middle schools and vocational and technical schools was 98,000, up 4.3 percent. Students in ordinary senior middle schools numbered 312,000, the same number as in 1989.

New advances were made in basic education. Junior middle school students in the province numbered 1,764,000, roughly the same number as in 1989. Students in primary school numbered 7,055,000, up 4.2 percent. The school-age child school attendance rate was 99.0 percent. Currently 128 counties (or cities) in the province have met standards required for running compulsory education schools at the primary school level. Hebei has 2,031 kindergartens, with 1,252,000 pupils enrolled, up 75,000 from 1989. Advances were also made in special education for retarded and handicapped children, and teaching conditions in schools of all kinds improved.

New changes have taken place in adult education. Colleges enrolled 12,000 undergraduate students and professional trainees during the year, 31.2 percent fewer than in 1989. There were 43,000 students in adult education schools, down 8.6 percent. Students in adult secondary technical schools numbered 92,000, down 15.6 percent. Students in adult technical training schools

numbered 1,569,000, up 2.7 percent. Students in adult secondary and primary schools numbered 2,679,000, up 30.2 percent.

Cultural endeavors continued to develop. During the year, 732 films of various kinds were produced, 189 episodes of 30 television dramas, and 120 episodes of nine radio broadcast dramas being produced. A total of 732 new films of various kinds were released. Some films and movie and television films received plaudits. The television dramas, "Bright World," "The Common People," and "January" were respectively awarded the outstanding television drama special prize, the outstanding television drama second prize, and the outstanding television single reel drama third prize. The province has 9,045 movie projecting units of all kinds who performed 1,532,000 screenings to 1.24 billion viewers. It has 149 artistic performing troupes that put on 2,000 performances at 38,000 sites to an audience of 39 million. The province has 190 public art galleries and cultural palaces, and 3,430 cultural stations. It has 121 public libraries containing 7 million books. It has 22 museums, and 214 archives. The State Council has designated 37 cultural relics sites as important cultural relic protection units, those in Shaanxi Province ranking first, making it the foremost province in terms of cultural relics. Hebei Province has 84 radio broadcasting stations, and 27 medium and short wave radio broadcasting and transmitting stations, broadcasts reaching 73.1 percent of the population in the province. It has 39 television stations, 27 of its television transmission and relation stations having a power of 1 kilowatt or more and covering 83.1 percent of the province's population. A total of 530 million copies of 43 different provincewide and prefecture (or municipal) newspapers, 22.06 million copies of 114 different magazines, and 240 million books are published and circulated in the province.

#### 10. Health and Physical Education

Continued development occurred in the health and sanitation field, medical treatment conditions further improving. The province's medical treatment system has 146,000 beds, 1.4 percent more than in 1989. Professional medical technicians number 181,000, up 3.4 percent. This includes 87,000 medical practitioners (including 66,000 doctors of Chinese and Western medicine), up 4.8 percent, and 39,000 medical corps personnel and nurses, up 2.6 percent. New advances were made in the prevention and control of various infectious diseases, chronic diseases, and endemic diseases, the total incidence of and deaths from infectious diseases declining from 1989. Health supervision and monitoring work improved, the quality of medical treatment improving.

New achievements were won in athletics. During 1990, five people broke six Asian records a total of seven times, and 18 people broke 21 national records a total of 25 times. In major domestic and foreign athletic competitions, province athletes took 54 gold medals, 59 silver medals, and 45 bronze medals. Hebei athletes scored well in the 11th Asian Games, four of them breaking six

Asian records and two Asian Games records, winning 10 gold medals, eight silver medals, and four bronze medals. Public athletic meets developed vigorously, advanced athletic counties in the province reaching 17. Units at the township level and above throughout the province held 11,000 athletic meets, 4.64 million athletes attaining national physical education tempering standards.

#### 11. People's Livelihood

City and countryside residents' income increased, their livelihood improving further. A sampling survey showed an annual cash income of 1,397.40 yuan per capita usable for living expenses in both the city and countryside, up 11.2 percent from 1989. This included wage earnings of 1,098.80 yuan, up 12.0 percent. Average annual per capita net earnings were 621.70 yuan, up 0.5 percent from 1989 in terms of comparable items.

The number of people employed in cities and towns increased. A total of 250,000 people were newly placed in city and town jobs during the year. As of the end of 1990, staff members and workers in the province numbered 6,511,000, a 121,000 increase over the end of 1989. This included 771,000 staff members and workers in units under ownership of the whole people instituting a labor contract system for a 78,000 increase. As of the end of 1990, individual city and town workers totaled 141,000 for a slight increase over 1989.

Staff member and worker wages continued to grow. As of the end of the year, wages of staff members and workers totaled 1,276,000 yuan, up 11.3 percent from 1989. After deducting price factors, the actual increase was 9.9 percent, including 2.42 million yuan in bonuses and excess wages paid for piecework down 0.5 percent. Staff member and worker money wages averaged 1997 yuan per capita, up 9.7 percent. After deducting for price factors, the actual increase was 8.3 percent.

City and countryside resident savings accounts increased tremendously. City and countryside residents had a savings balance totaling 50.46 billion yuan as of the end of the year. This was 13.98 billion yuan more than at the beginning of the year for a 38.4 percent increase. This included city and town savings of 31.61 billion yuan, up 42.1 percent, and rural savings of 18.85 billion yuan, up 32.7 percent.

Living conditions improved for both city and countryside residents. City and town residents had 9.2 square meters per capita of living space, 0.3 square meters more than in 1989. The peasants had 17.3 square meters per capita of living space, up 0.5 square meters.

Social welfare endeavors continued to develop. Social welfare hospital beds totaled 48,000, providing care for 32,000 people. A total of 75,000 old people living alone, handicapped people, and young people living in scattered areas received collectively provided care, up 11.8 percent from 1989. Throughout Hebei, 326 townships

and towns have established rural social support networks, and urban social services networks have likewise developed fairly rapidly, 5,359 social service facilities of various kinds having been established. Conditions for handicapped persons' study and employment continued to improve, new advances made in relief and support for the needy.

## 12. Demographics

In 1990 a random sampling of demographic changes was conducted in accordance with the statistical scope of the subjects surveyed and the survey sub-areas of the fourth national population census. Results of a hand collation were used to extrapolate the province's total population as of 31 December 1990 at 61,588,880, up 834,400 or 1.37 percent from the 1989 year-end hand collation figure for the province's fourth population census. The birth rate was 20.46 per thousand; the death rate was 6.82 per thousand, and the natural rate of increase was 13.64 per thousand. This was respectively 1.35 percentage points lower, 1.7 percentage points higher, and 3.05 percentage points lower than the figures for the province's 1989 fourth population census hand collated results. This showed that population control work during 1990 was outstandingly successful.

Notes: (1) All of the data presented in this communique are speed bulletin statistical data for the year.

(2) Gross output value absolute figures are calculated in terms of current year prices; speed of growth is figured in terms of comparable prices.

(3) The comparable base periods for all norms are published formal statistical data from the *Hebei Economic Statistics Yearbook*.

## Hunan Releases 1990 Economic, Social Statistics

91CE0408A Changsha HUNAN RIBAO in Chinese  
22 Feb 91 p 4

[Hunan Statistics Bureau: "1990 Statistical Bulletin on Economic and Social Development in Hunan"]

[Text] (11 February 1991) In 1990, the entire population of Hunan implemented the CPC Central Committee's policy of stabilizing the overall situation, further improving the economic climate and rectifying the economic order, and deepening reform under the correct leadership of the provincial government, overcoming barrier after barrier in the process. As a result, new progress was made in the economy and in every social undertaking. A bumper crop was harvested, industrial output grew steadily, fixed assets investment rebounded, the investment structure was adjusted, the domestic retail market took a turn for the better, exports achieved new breakthroughs, prices levelled off, and the gap between aggregate social supply and demand narrowed. According to preliminary statistics, gross provincial product amounted to 71.5 billion yuan for the entire year, up 4 percent over the preceding year. Provincial

income rose 3.2 percent to 59 billion yuan. Major problems in the economy were declining profits, fiscal difficulties, a slight drop in peasant earnings, and lingering irrationalities in the economic structure accumulated over the years.

## 1. Agriculture

The agricultural sector reaped a bumper harvest after a disastrous year. Gross agricultural output was 39.46 billion yuan in 1990, an increase of 2 percent over a year ago, including 21.815 billion yuan in crop cultivation. Output rose 3.3 percent in animal husbandry, 10.5 percent in sideline production, and 3.4 percent in fishery, but dipped 0.8 percent in forestry.

Among the major crops, grain output held steady at a historic high. Among the cash crops, cotton output rebounded sharply and rapeseed set another all-time record. Jute, bluish dogbane, and silkworm output continued to increase while that of sugar cane, ramie, flue-cured tobacco, tea leaves, and fruit fell sharply due to disasters and in response to a sluggish market.

Below is the output of Hunan's major crops:

1990		Increase Over 1989
grain	26,926,700 tons	0.6
cotton	120,100 tons	79.3
oil-bearing crops	722,200 tons	20.0
including: rapeseed	621,400 tons	25.2
ramie	25,200 tons	-61.2
jute and bluish dogbane	18,800 tons	28.8
sugar cane	1,277,600 tons	-10.1
flue-cured tobacco	112,300 tons	-22.4
silkworm	2,400 tons	4.3
tea leaves	73,900 tons	-7.6
fruit	566,100 tons	-26.4

Altogether 5,638,500 mu were planted with trees during the year, 10.6 percent more than a year ago. However, the output of the major timber-producing areas fell due to disasters. Tung-tree seed output was 47,800 tons, down 1.2 percent, while oil tea camellia seed output was 209,000 tons, down 25.3 percent.

Animal husbandry output continued to grow steadily. Below is the output of the major animal husbandry products:

1990		Increase over 1989
pork, beef, and mutton	1,894,600 tons	4.9
pigs slaughtered	29,777,200 heads	3.9
pigs on hand at yearend	27,982,700 heads	2.6

1990		Increase over 1989
large livestock at yearend	4,006,500 heads	1.7
including: farm cattle	3,982,400 heads	1.7
sheep at year end	664,600 heads	-3.1

The output of the fishery industry increased steadily in 1990. The output of the aquatic products industry was 530,000 tons, up 2.9 percent compared to a year ago.

The terms of production in agriculture had improved. At year end power agricultural machinery in the province had a combined power of 12,091,000 kilowatts, up 3.5 percent over a year ago. Of these, agricultural irrigation and drainage machinery accounted for 3.371 million kilowatts, up 2.1 percent. Rural electricity consumption stood at 2.337 billion kilowatt/hours, up 6.9 percent. There were 179,800 small hand-held tractors, up 1.4 percent. A total of 1,261,000 tons of chemical fertilizers were applied, up 1.4 percent. Agricultural inputs went up, capital construction in farmland irrigation works accelerated, and the repair of dams and irrigation ditches made rapid progress.

The rural economy grew in the midst of readjustment. Gross rural social output for the entire year reached 64.138 billion yuan, up 3.5 percent over 1989, including 25.139 billion yuan in the gross output of township and town enterprises, up 11.1 percent, and 24.678 yuan in rural nonagricultural output, up 5.1 percent. In the nonagricultural sector, industry and transportation both reported rapid growth while construction and commerce shrank 22.7 percent and 0.9 percent, respectively.

The sluggish market for agricultural products was a major problem. The pre-production and after-production service system was incomplete. The infrastructure was backward and there was not enough staying power.

## 2. Industry

Industrial output continued to expand steadily in 1990 amid very difficult circumstances. In the first three quarters, constrained by a soft market, industrial output was slow and experienced sharp ups and downs. After the all-out industrial offensive was launched in October, industrial output rebounded quickly. For the year as a whole, gross industrial output value hit 71.403 billion yuan, including rural industry at the village level and below, up 4.9 percent over 1989, or 61.682 billion yuan, excluding industry at the village level and below, up 4 percent. Of the gross industrial output value, industry owned by the whole people accounted for 45.654 billion yuan, up 2.9 percent; collectively owned industry accounted for 20.539 billion yuan, up 6.5 percent; urban individually owned industry accounted for 4.865 billion yuan, up 12.8 percent; and other industries accounted for 345 million yuan, up 19 percent.

Heavy industrial output was 39.629 billion yuan, up 3.9 percent over the preceding year, while that of light industry was 31.774 billion yuan, up 6 percent. Of the major industrial products, the energy and raw materials industries essentially maintained stable growth, but the production of some upscale durable consumer goods has yet to climb out of the doldrums.

There were success stories in new product development in 1990. As many as 490 new products were evaluated and accepted for batch production during the year, including 149 that filled a gap in the nation's lineup of products. These new products boosted output value by 2.84 billion yuan. The outstanding product rate for industry was 23.7 percent, the same as a year ago. Five products from the province won the national golden shield award, 10 products won the national silver shield award, and 459 products were cited as outstanding products by the province. Grassroots management had improved; one enterprise was cited as national class 1 enterprise while 43 others were cited as national class 2 enterprises. Energy consumption in industry continued to drop. Province-wide, industrial enterprises above the county level saved 730,000 tons of standard coal in 1990. Combined energy consumption for every 10,000 yuan worth of industrial output was 5.18 tons of standard coal, down 3.7 percent from 1989.

The enterprise contract responsibility system continued to improve. Of all industrial enterprises in local budgets in the province, 80.7 percent had signed a new round of contracts by year end. Enterprise mergers, lateral economic associations, and enterprise groups led by Below is the output of major industrial products:

1990		Increase over year 1989
yarn	117,300 tons	-11.8
cloth	456,000,000 meters	-3.3
leather	3,498,000 pieces	0.1
machine-made paper and cardboard	648,900 tons	5.5
sugar	69,400 tons	21.1
crude salt	457,500 tons	10.3
cigarette	2,648,500 crates	5.0
daily-use porcelain	735,000,000 pieces	1.0
bicycles	720,000 units	-32.9
sewing machines	157,500 units	-39.6
TV sets	529,300 units	1.7
including color TV sets	38,600 units	-33.4
tape recorders	573,600 units	-11.0
domestic refrigerators	255,000 units	-11.1
raw coal	34,734,200 tons	-5.9
crude oil refining	3,202,800 tons	1.0

1990		Increase over year 1989
capacity electricity	20,140,000,000 kw/ hrs	9.9
including: hydropower	10,612,000,000 kw/ hrs	11.5
pig iron	1,535,200 tons	3.7
steel	1,360,000 tons	-0.1
finished steel prod- ucts	1,203,600 tons	3.2
sulfuric acid	705,100 tons	3.8
soda	64,900 tons	22.2
chemical pesticides	21,300 tons	-5.3
chemical fertilizers	1,199,100 tons	4.8
cement	10,017,700 tons	1.6
plate glass	3,753,000 heavy duty crates	
15.4 automobiles	3,459 units	-18.4
small tractors	14,300 units	-7.1
metal cutting machine tools	1,877 units	-47.0

Popular brand-name products continued to increase. There were 171 joint economic organizations throughout the province linking industrial enterprises above the county level loosely or semi-loosely. With a combined 900 million yuan in new output value and 106 million yuan in additional profits and taxes, they have helped make resource allocation more rational. Enterprise groups put themselves to even better use in 1990.

Be that as it may, the pace of industrial structural readjustment was slow, many enterprises operated under capacity, and some enterprises had suspended operations in whole or in part. Profits in industry continued to slide. In 1990 industrial enterprises in local budgets supplied 5.45 yuan less in profits and taxes for every 100 yuan worth of sales compared to the year before. Comparable production costs rose 4.2 percent, 40.1 percent of enterprises were in the red, their combined losses amounting to 594 million yuan. The amount of funds tied up in finished products rose 35.1 percent. Swollen inventories remained a serious problem.

### 3. Transportation and Communications

Transportation continued to improve in 1990. Transport capacity increased and the on-time delivery of energy and raw materials was quite satisfactory. However, due to the downturn in the economy and further hikes in freight charges, traffic flow had dropped. Anomalies in the transport structure remain.

### Passenger and Freight Volume Carried by All Means Of Transportation

1990		Increase over 1989
Freight volume	63,581,000,000 tons/ kilometers	5.5
including: rail	59,033,000,000 tons/ kilometers	8.4
highway	744,000,000 tons/ kilometers	-16.8
water-borne	3,795,000,000 tons/ kilometers	-22.8
Passenger volume	29,318,000,000 men/ kilometers	-6.2
including: rail	16,232,000,000 men/ kilometers	-10.4
highway	12,675,000,000 men/ kilometers	unchanged
water-borne	355,000,000 men/ kilometers	-21.2

Postal and telecommunications services continued to grow. In 1990, the postal and telecommunications sector did 257 million yuan worth of business, up 27.7 percent over the year before. Long-distance telephone calls increased 23.7 percent, mail declined 8.9 percent, and telegrams rose 22.2 percent. By year end, there were 121,700 intra-municipal telephone subscribers in the province, up 11.9 percent over the preceding year. Meanwhile, rural telephone subscribers rose 14.2 percent to 41,900. International telecommunications as well as telecommunications with Hong Kong, Macao, and Taiwan made considerable progress. The number of prefectural and municipal distance-controlled direct-call telephone calls increased. However, postal and telecommunications services still could not keep up with the needs of economic development.

### 4. Fixed Assets Investment and the Construction Industry

In 1990 the province completed 12.41 billion yuan of fixed assets investment, up 8.5 percent over 1989, including 7.17 billion yuan invested by the whole people, up 14 percent, 1.24 billion yuan invested by urban collective units, up 6 percent, and 4 billion yuan invested by urban and rural individuals, up 0.5 percent. Local projects completed a total of 9.26 billion yuan worth of investment, up 6.4 percent over a year ago. Of investment by units owned by the whole people, capital construction investment amounted to 4.34 billion yuan, up 16.4 percent, and equipment replacement and transformation amounted to 2.49 billion yuan, up 2.5 percent. The investment mix was readjusted: while investment in processing and non-productive construction was scaled back, investment in energy, transportation, communications, and agriculture rose. Of all investment by the whole people, 2.004 billion yuan went to the energy

industry, up 33.1 percent, 743 million yuan went to transportation, posts, and telecommunications, up 19 percent, 239 million yuan went to agriculture, up 29.7 percent. Units owned by the whole people invested 692 million yuan in equipment replacement and transformation aimed at improving product quality and increasing product varieties, which represented an increase of 2.7 percentage points over the preceding year as a share of all investments in equipment replacement and transformation.

Good progress was made in the completion of key projects. Province-wide, 1.72 billion yuan worth of investment was completed in 24 key projects, making 1990 the year with the largest scale of investment in years. Of the four projects scheduled for completion and operation in the year, Phase 1 of Changsha Waterworks No 5 was completed and the project is now supplying water, Xiaodongjiang No 1 and No 2 generating units are now generating electricity, Changsha Gaoguo Sugar Refinery has been put into partial production, and the Changsha Polyamide Fiber Plant is now under test production. As for the three projects due to be completed, the northern Hunan section of national highway 107, the Huaneng Yeyang Electric Plant, and the electrification of the Hunan-Guizhou railroad between Huaihua and Dalongbao were progressing smoothly.

Fixed assets increased by 9.81 billion yuan in 1990, up 2.7 percent over the year before, including 4.57 billion yuan in units owned by the whole people, up 4.2 percent. As a result of capital construction and equipment replacement and transformation, units owned by the whole people increased their production capacity to mine an extra 180,000 tons of coal, generate an extra 80,000 kilowatts of electricity, build an extra 250 kilometers of power transmission lines of 110,000 volt and above, transform an extra 240,000 kilovolt-amperes of electricity, provide an extra 370,000 tons of running water, and increase the effective irrigated area by an extra 185,000 mu.

However, the return on fixed assets investment was low. The delivery and use rates of fixed assets, the proportion of construction projects that were put into operation, and the square footage of completed housing all dropped by varying margins. The profitability of the construction industry was not satisfactory. In 1990, construction enterprises owned by the whole people completed had an output value of 2.349 billion yuan, up 3.3 percent over the preceding year. The overall productivity was 12,113 yuan, down 1.7 percent. Profits realized fell and the number of money-losing enterprises rose.

New progress was made in geological prospecting. In 1990 geological departments completed 61.99 million yuan worth of geological work, drilled 106,900 meters, did 105 million yuan worth of business in geological prospecting, discovered six new major mining areas, and increased the proven deposits of some minerals.

#### 5. Domestic Commerce and the Supply and Marketing of Materials

The domestic retail market staged a slow turnaround in 1990 but the rural market remained soft. For the year as a whole, social commodity retail sales totaled 34.269 billion yuan, up 0.2 percent over 1989, or 0.8 percent after factoring in the drop in prices. If we break it down into urban and rural areas, urban consumer goods retail sales rose 5.1 percent, while rural consumer goods retail sales slipped 3.3 percent. Of social commodity retail sales, consumer goods retail sales accounted for 29.44 billion yuan, up 0.2 percent, including 2.403 billion yuan in social institutional consumer goods retail sales, up 0.8 percent, and agricultural capital goods retail sales accounted for 4.829 billion yuan, up 0.1 percent. By economic types, commerce owned by the whole people grew 3.3 percent, collective commerce fell 6.1 percent, jointly operated commerce also fell 19.1 percent, and individual commerce and retail sales by peasants to non-agricultural citizens rose 2.1 and 6.4 percent, respectively. Among the major consumer goods, the sales of cooking vegetable oils rose 1.3 percent; pig and pork, 26.9 percent; eggs, 16.6 percent; aquatic products, 15.3 percent; TV sets, 23.9 percent, of which the sales of color TV sets more than doubled; washing machines, 4.7 percent; refrigerators, 8.5 percent; and electric fans, 13 percent. Among major agricultural capital goods, chemical fertilizers and hand-held tractors grew 5 percent.

The country fair trade was brisk, with 10.144 billion yuan worth of transactions, up 5.6 percent over 1989. The volume of business in major commodities rose significantly.

The capital goods market remained sluggish. Purchases and sales by supply and materials agencies fell. For the year as a whole, the materials sector procured a total of 5.371 billion yuan worth of goods, 5.2 percent less than in 1989, and sold 5.833 billion yuan worth of goods, down 4.1 percent. Of the 14 major materials sold, a decline in sales volume was recorded for six, including caustic soda, soda, tires, and cement, which all dropped by more than 10 percent. Sales rose for eight materials, namely pig iron, steel, copper, aluminum, lead, zinc, rubber, and automobiles.

The overall retail price level dropped 0.6 percent in 1990 compared to 1989, the first decline in years. The retail price level fell 0.8 percent in urban areas and 0.4 percent in the countryside.

**Retail Price Movements By Commodity**

1990	Compared to Year Ago
Food	-0.9
including: grain	3.1
meat, poultry, eggs	-5.5
fresh vegetables	unchanged
aquatic products	-6.6
Clothing	6.3
Articles of daily use	1.2

Retail Price Movements By Commodity	
1990	Compared to Year Ago
Medicines and medical products	-1.5
Fuels	-0.9
Agricultural capital goods	-0.1

Workers' cost of living prices rose 0.6 percent, while that of peasants rose 0.2 percent. Service charges climbed 13.9 percent, all significantly lower than the increases a year ago.

Country fair trade prices fell 5.9 percent compared to the preceding year. Specifically the decline was 9.4 percent in county towns and 2.2 percent in cities.

The procurement prices of agricultural byproducts fell 5.9 percent compared to 1989, thereby further widening the price scissors between industrial and agricultural products.

#### 6. Foreign Trade and Tourism

There were new breakthroughs in foreign economic relations and trade, with gains being made in foreign procurements, exports, and foreign exchange earnings. Imports and exports totaled \$924 million, up 8.5 percent over 1989, including \$806 million in exports, up 21 percent. A host of large- and medium-sized enterprises and enterprise groups actively sought to improve their competitiveness and make their way into the international market.

The utilization of foreign capital made fresh progress. The province signed 153 agreements on the utilization of foreign capital and actually utilized \$251 million, up 62.5 percent, including \$11.16 million in direct foreign investment, up 73.6 percent, and \$236 million in foreign loans, up 79.6 percent. The direction of investment became more logical. By year end, 204 enterprises funded by the three capital sources had been approved, of which 24 were completed and had opened for business. For the year as a whole, the province earned \$24.54 million in foreign exchange, up 69.8 percent.

Both the introduction of foreign technology and the export of technology gathered speed in 1990. Seventeen projects involving the import of foreign technology were signed with a total price tag of \$15.67 million. Meanwhile, contracts on the export of technology worth \$25.4 million were also concluded, up 120 percent over 1989. The province entered into 87 contracts involving construction projects or labor services and completed \$18.79 million worth of business. Of these contracts, 82 were concluded by the provincial International Economic Cooperation Corporation with a total value of \$9.06 million, of which \$6.05 million were completed. Foreign exchange earnings amounted to \$820,000, considerably more than a year ago.

Amid improving international relations, Hunan played host to 85,200 visitors and tourists last year, up 37.4

percent over a year ago, including foreigners, overseas Chinese, and compatriots from Hong Kong, Macao, and Taiwan, who came to Hunan to sightsee, visit relatives, or as part of an exchange program. Of this number, 16,500 were foreigners, the same as in 1989, and 44,200 were compatriots from Taiwan, an 110 percent increase. Tourism generated \$10.02 million in foreign exchange earnings, 16.1 percent more than in the preceding year.

#### 7. Finance, Banking, and Insurance

Both government revenues and expenditures increased in 1990, but not by as much as the projections in the budget. Difficulties were experienced in balancing the budget.

Banking played an even more useful role in economic development. Deposits at banking institutions across the province totaled 36.996 billion yuan at year end, 9.622 billion yuan more than at the beginning of the year. Their combined loans were 51.9 billion yuan, 9.071 billion yuan more than at the beginning of year. However, inventories continued to pile up, tying up a lot of funds and depressing the return on funds.

More money continued to be withdrawn from circulation. For the year as a whole, cash revenues of banks stood at 56.022 billion yuan, an increase of 9.2 percent over 1989, while expenditures were 55.276 billion yuan, an increase of 10.2 percent, resulting in a net withdrawal of 746 million yuan.

The insurance business developed rapidly as more types of insurance were offered and business expanded. In 1990, over 160 types of insurance were issued, a dozen or so more than in 1989. The amount insured was 75.62 billion yuan, up 13.6 percent. Total revenues for the insurance industry were 699 million yuan, up 13.9 percent. The industry processed 123,000 claims of all types and paid out 390 million yuan in damages and personal insurance, up 19 percent over a year ago.

#### 8. Scientific and Technological Undertakings

New progress was made on the scientific and technical front in 1990. The province captured 359 achievement awards in natural S&T, including 20 national S&T progress awards, seven national invention awards, one national science award, 301 provincial S&T progress awards, and 30 provincial "Spark Plan" achievement awards. The "Agricultural S&T Dissemination Year" proved to be remarkably successful. Province-wide, 100 agricultural S&T achievements were widely introduced in the countryside. Good progress was made in 16 development projects involving comprehensive agricultural technology. There was success of a breakthrough nature in hybrid rice research and development: eight new hybrids were selected for development and sowed in 2000 mu on a trial basis with good results. A total of 19.62 million mu of land underwent soil testing. Twenty-one "Spark Plan" demonstration projects were implemented during the year, increasing output value by 1.206 billion yuan and profits and taxes by 258 million yuan,

thereby expediting the adjustment of the rural industrial structure. At the same time, 29 "Torch Plan" projects and 37 high-tech "Huge Dragon Program" projects were launched. New technical enterprises in the Changsha S&T Development Experimental Zone implemented 179 high-tech projects, with great success.

The S&T market was active. By year end there were 2,444 technical development service organizations of all shapes and forms, featuring participation by units owned by the whole people, collective units, and individuals. It was a gratifying situation. Altogether 11,800 technical contracts were signed with a combined value of 245 million yuan.

The army of S&T workers was maturing. By the end of 1990, there were 186 S&T organizations under various agencies in the provincial government. In addition, there were 963,200 technical workers in a range of specialties in local units owned by the whole people, up 12.2 percent compared to the preceding year. Of these workers, 355,800 were in natural science and technology, up 10.4 percent, and 607,400 were in social sciences, up 13.4 percent. Province-wide, 26,000 people obtained senior technical positions and 218,000 people obtained mid-level technical positions. Moreover, a host of technical workers and peasant technical assistants had emerged.

Scientific research at the grassroots was intensified. In 1990, specialized technical training was provided for 200,000 people and general training for 2 million people in the countryside. The province's 509 large- and medium-sized industrial enterprises set up 379 technical development organizations. New advances were made in enterprise technology.

Patent work made new headway. In 1990, there were 2,190 patent applications in Hunan, an increase of 35.3 percent over 1989, including 1,126 that were approved, up 11.6 percent.

The meteorological, hydrological, earthquake, and surveying departments supplied a wealth of information and data for economic construction and the improvement of the people's living, to the benefit of society. The surveying and mapping department completed 1,127 drawn-to-scale relief maps. The province completed 118,700 work days of surveying and mapping work, with an output value of 6.42 million yuan.

In environmental protection, the province continued to improve supervised management and implement the objective responsibility system. Comprehensive treatment has paid off and industrial pollution was largely brought under control. The amount of waste gas, waste water, and industrial waste discharged for every 10,000 yuan worth of industrial output dropped 5 to 6 percent, while the waste water treatment rate, waste gas treatment rate, and the comprehensive utilization rate of industrial solid waste rose by 1 to 3 percent compared to the year before. However, there was a shortage of pollution control funds and some industrial pollution standards were not met.

## 9. Education and Culture

Educational development accelerated and political and ideological education received widespread attention. Institutions of higher education were adjusted and strengthened. The academic disciplines offered became even more in line with the needs of social economic development. In 1990, 705 graduate students were admitted, 812 were graduated, and 2,165 were enrolled. There were 51 general institutions of higher education in the province. The student intake was 26,700, up 1.5 percent over 1989. The number of graduates increased 9.5 percent to 26,600 while the number of students enrolled fell 0.7 percent to 88,200. The structure of secondary education continued to be adjusted and vocational educational was improved. A total of 2,807,900 students were enrolled in secondary schools throughout the province, an increase of 2.4 percent. Of these students, 130,500 were enrolled in agricultural vocational secondary schools and 54,100 were enrolled in technical schools, increases of 16.6 percent and 20.2 percent, respectively. Enrollment at general secondary schools stood at 2.524 million, an increase of 1.6 percent. Enrollments at vocational and technical schools constituted 6.6 percent of all enrollments at secondary schools, up from 5.7 percent in 1989. Elementary school enrollment was 6,938,600, down 1.7 percent from one year ago. The share of school-age children attending school remained steady at 98 percent. The province also had 923,700 kindergartners, up 7.3 percent compared to 189.

Adult institutions of higher education had a combined enrollment of 99,200 students, 6.4 percent less than in 1989, while adult technical secondary schools had an enrollment of 87,000, 9.6 percent more than 1989. In addition, 40,200 students were enrolled in adult secondary schools, basically the same as a year ago. Adult education was gradually shifting from academic education to job-related training. Adult technical schools enrolled 368,200 students and graduated 353,000. During the year 4,320 people took the adult higher education examination for the self-educated and were awarded post-secondary certificates. Moreover, 469 people received a completion of studies certificate in a single subject. The anti-illiteracy drive was in a stronger position than at any time since the 1980's. Rapid progress was also made in special education for the blind, deaf, and mute.

To date the major problems in educational development are the uphill battle to make nine-year compulsory education universal, the slow progress in vocational education, and high drop-out rates among secondary and elementary school students in some areas.

Cultural, movie, and television enterprises adhered to the "two for's" direction and the "two hundred's" principle, tackling rectification, on the one hand, and pursuing growth, on the other, scoring new achievements in the process. In 1990, the province made six movies on production, released 178 feature films, and produced 24 assorted TV dramas totaling 66 episodes. At year end there were 11,788 movie-showing units, 91 artistic and



performing troupes, 116 public libraries, and 42 museums and memorial halls.

At year end the province boasted nine central TV stations and 27 broadcasting relaying and transmission stations. Radio broadcasting reached 54.8 percent of the population and TV, 86.9 percent. In addition, 517 million copies of newspapers, 52.26 million copies of magazines, and 319 million copies of books were printed.

The anti-pornography drive and the campaign to eliminate the "six scourges" continued to gather steam. The province confiscated 2.14 million copies of illegal books and magazines of all types and 150,000 videotapes, checking the spread of social corruption.

#### 10. Public Health and Sports

Public health continued to develop and medical conditions were further improved. By late 1990, the province had 10,600 public health organizations including 4,191 hospitals with 146,800 hospital beds, up 1.7 percent compared to late 1989. There were 176,300 medical technical personnel, up 2.1 percent, including 14,100 Chinese doctors, up 3.7 percent, 50,900 Western doctors, up 3.9 percent, 15,300 medical practitioners, down 5 percent, and 21,400 nurses, up 4.4 percent. The public health network at the county, township, and village levels was developing steadily. Preventive health care was improved. The province did a good job in the prevention and control of occupational diseases, chronic diseases, and local diseases. There was a crackdown on hospitals charging fees irresponsibly and on bogus and shoddy medicines being sold on the market. Note that the incidence of infectious disease was on the rise and the protection of the blood supply had yet to be improved.

The province scored new victories in sports. In 1990, its athletes won 37 gold medals in international sports events and 47 gold medals in domestic events. At the 11th Asian Games, Hunan athletes captured 23 gold medals, eight silver medals, and five copper medals. Moreover, three people broke Asian Games records, writing a most glorious chapter in the sporting history of the province. Hunan also won nine championships in major world competitions and set one world record. The athletic competitiveness of Hunan sportsmen reached a new high.

Mass sports flourished in the year, with the number of regular participants increasing. In 1990, a total of 1,400 sports meets above the county level were held, with 1,853,800 participants. At year end, 3,747,500 people met the "national athletic training standards," up 24 percent compared to a year ago. Sports facilities increased, including 188 built in the year.

#### 11. People's Living

Even as they promoted economic growth in 1990, people's governments at all levels also sought to broaden the

sources of employment opportunities. Jobs were found for 161,200 people in urban areas who had been waiting for employment, up 9.7 percent. At year end, there were 5,488,800 people in the labor force, up 2.3 percent compared to a year ago. In urban areas, there were 328,600 self-employed individuals, up 8 percent. However, some enterprises had suspended operations, either fully or partly, so the number of hidden unemployed went up. In urban areas the waiting-for-employment rate was 2.66 percent, slightly higher than in 1989.

Owing to wage adjustments, urban residents saw their incomes go up in 1990. The per capita living costs incomes among urban residents were 1,382.8 yuan, up 6 percent over the preceding year. Total workers' wages (including price subsidies for meat) amounted to 11.04 billion yuan, up 12.5 percent over 1989, including 1.959 billion yuan in bonuses, 5.9 percent more than last year. Cash incomes for workers averaged 2,020 yuan for the year, up 10 percent. Still, some low-income households had difficulties making ends meet and there was an appreciable drop in the earnings of workers in enterprises that had suspended operations. In 1990, net per capita incomes among peasants were 545.69 yuan, down 2.3 percent from the year ago. The main reason incomes for peasants did not go up even as they increased output was that the prices of some agricultural products had dropped. Since there was a glut of some agricultural products, which prevented the realization of their value, peasants had cut back on production. Moreover, production costs had gone up, incomes from nonagricultural operations had fallen, and there had been serious natural disasters.

The savings deposits of rural and urban residents had gone up. At year end, urban and rural savings stood at 22.17 billion yuan, up 42.7 percent compared to the end of 1989. Of this total, urban residents accounted for 16.532 billion yuan, up 44 percent, and rural residents accounted for 5.638 billion yuan, up 38.9 percent.

The living conditions of both urban and rural residents continued to improve. In 1990, units owned by the whole people built 2,831,000 square meters of new housing. In the countryside, 39.31 million square meters of new housing were built. Per capita living space reached 7 square meters in urban areas and 22.27 square meters in the countryside.

Social welfare services continued to expand. At year end, there were 1,875 social welfare houses and other assorted relief units in both urban and rural areas throughout the province, accommodating a total of 22,800 people. During the year, civil administrative agencies found housing for 28,100 disabled but employed people. Disaster-stricken and impoverished households totaling 6,583,000 people were provided with relief and otherwise given aid. Relief funds totaled 110 million yuan. New progress was made in fighting poverty and the achieving of prosperity in old liberated areas, areas inhabited by minority nationalities, border regions, and

impoverished areas. By year end, yet another 145,000 households managed to shake off poverty.

The comprehensive treatment of social law and order problems went under way across the board and the "crackdown" proceeded in depth. The number of cases of all types investigated and solved in the year exceeded that in 1989 by 6.1 percent, promoting social stability.

## 12. Population

According to a sample survey, the provincial birthrate in 1990 was 23.93 per thousand while the death rate was 7.23 per thousand, yielding a natural increase rate of 16.7 per thousand. Based on the sample survey and extrapolating from the fourth census, the population of the province stood at 61,277,900 at year end, 1,141,700 more than at the end of 1989. Excessively rapid population growth must be given a good deal of attention.

Note: GNP, national income, and other gross output values in this bulletin were calculated using prices for the year in question. Growth rates were calculated using comparable prices.

## Shanxi 1990 Economic, Social Statistics

91CE0386A Taiyuan SHANXI RIBAO in Chinese  
7 Feb 91 p 2

[By Shanxi Provincial Bureau of Statistics]

[Text] During the past year, with the national economy continuing to develop in the proper direction, Shanxi Province further implemented the general policies of improvement and rectification and deepening of reform, actively adopted a series of vigorous measures, strengthened macroeconomic regulation and control, improved the economic climate, and basically realized social, economic, and political stability.

1. With the gap between aggregate supply and aggregate demand narrowing, the relationship between supply and demand basically tended toward equilibrium.

In 1990, as aggregate supply clearly increased, the contradiction between supply and demand tended to ease. According to initial calculations, aggregate supply for all of 1990, figured on the basis of current-year prices, came to 42.16 billion yuan, an increase 5.42 billion yuan compared to 1989 and a 14.7 percent rise. Aggregate demand was 44.74 billion yuan, an increase of 2.57 billion yuan and a rise of 6.1 percent. The 2.58 billion yuan gap between supply and demand was a reduction of 2.85 billion yuan compared to the 5.43 yuan gap in 1989. The gap between supply and demand shrunk from 14.8 percent in 1989 to 6.1 percent. Supply and demand are now approaching basic equilibrium, creating a relaxed environment for economic readjustment, reform, and growth.

2. The agricultural base was further strengthened, and total grain output was the highest on record.

In 1990, Shanxi continued to strengthen its agricultural base. During a period of stable rural policies, we carried out policies of investment inclination and "widely used science and technology in agriculture." Shanxi began an upsurge in large-scale capital construction on its farmland and in water conservancy not seen in recent years, thereby further improving conditions for agricultural production. Added to this was a relatively heavy rainfall. Bumper harvests were obtained across the board, and the strength of the rural economy was further increased.

Grain output was the highest on record. Total grain output for the province came to 9.69 billion kilos in 1990, an increase of 899 million kilos compared with 1989 and a rise of 10.2 percent. Summer grain crops amounted to 3.287 billion kilos, a 19.3 percent increase; and fall grain crops came to 6.403 billion kilos, an increase of 6.1 percent. The per mu yield of grain was 196 kilos, an increase of 18 kilos compared with the 1989 yield of 178 kilos. Total output and output per mu both set records and exceeded the grain production targets set by the Seventh Five-Year Plan.

Industrial crops have seen a relatively large increase in output. Total cotton production in Shanxi came 112 million kilos in 1990, a 9.2 percent increase compared with 1989 and overfulfilling the annual plan by 23.9 percent. Total output of oil-bearing crops came 394 million kilos, an increase of 32.1 percent compared with 1989. This overfulfilled the annual plan by 7.9 percent. Total sugar beet output came to 432 million kilos, a 27 percent increase compared with 1989.

Livestock production still maintained an excellent tendency toward growth. The amount of large livestock and live pigs on hand all increased, and the output of pork, beef, and mutton all rose in varying amounts.

The life of the peasants was further improved. In 1990, with agricultural production reaping a bumper harvest and with overall economic growth in the countryside, the standard of living for the peasants likewise saw relatively large improvement. Calculated on the basis of the new specifications, peasant net income in Shanxi came to 603.51 yuan, an increase of 45.8 yuan compared to 1989 (calculated on the same basis) and an 8.9 percent rise. Rural savings deposit balances came to 7.412 billion yuan, a 1.613 billion yuan increase compared with the beginning of the year and a rise of 27.8 percent. This has been unusual in recent years.

There has been a further increase in the rural economy's overall strength. At the same time that agriculture has been experiencing fairly rapid growth, secondary and tertiary industries such as rural industry, construction, transportation, commerce, and food services have had varying degrees of growth. It is estimated that in 1990 total rural output value in Shanxi could reach 30 billion yuan, a 9 percent increase compared with 1989.

3. Industrial production has maintained a substantial growth rate, and energy and raw and semifinished materials industries have continued to achieve priority growth.

In 1990, total industrial output value in Shanxi came to 37.78 billion yuan, a 6.5 percent increase compared with 1989. Not including industries at the village level and below, it came to 28.57 billion yuan, an increase of 4.2 percent and constituting 98.3 percent of the annual plan. Output value for light industry came to 7.55 billion yuan, an increase of 0.8 percent. Output value for heavy industry came to 21.03 billion yuan, an increase of 5.4 percent. The annual plan for 50 of the 100 major commodities was fulfilled or overfulfilled, an increase of some 45 commodities compared with 1989.

Judging from the dynamic changes during 1990, fluctuations have been slowed and Shanxi's industrial production has basically recovered. In January, Shanxi's industrial production only grew 0.4 percent, the lowest rate of growth in recent years for the same period of time. With all levels of the entire province making a great effort to sustain a substantial growth rate for industrial production, by the end of the first quarter, it had risen to 2.4 percent, by the first half of the year it reached 3.5 percent, and by the end of the year 4.2 percent.

Under the impetus of national industrial policies and product mix readjustments, Shanxi's dominant energy and raw and semifinished materials industries achieved further growth. In 1990, Shanxi produced 287 million tons of raw coal, overfulfilling the annual plan by 8.1 percent and an increase of 4.3 percent compared with 1989. Mining output under state unified central planning came to 107 million tons, an increase of 2.4 percent and 94.8 percent of the annual plan. Township and village mining output came to 115 million tons, an increase of 4.5 percent and 108.8 percent of the annual plan. Scrubbed and refined coking coal came to 13.68 million tons, overfulfilling the annual plan by 2.9 percent and an increase of 14.6 percent. Engine coke came to 4.84 million tons, overfulfilling the annual plan by 34.4 percent and a rise of 14.5 percent. Electricity generation came to 31.35 billion kilowatt hours, overfulfilling the annual plan by 0.5 percent and an increase of 3.8 percent. Iron ore increased 6.5 percent, pig iron increased 7.7 percent, steel increased 4.7 percent, and aluminum, refined copper ore sulfuric acid, caustic soda, calcium carbide, pure benzene, synthetic ammonia, and chemical fertilizers all increased to varying degrees and fulfilled annual targets.

Industrial production in all prefectures and cities and all sectors generally increased. Total industrial output value in Shanxi's 12 prefectures and cities increased. The seven prefectures and cities of Shuozhou, Yanbei, Datong, Yuncheng, Linfen, Yangquan, and Changzhi exceeded the average levels for the province. However, taking the regions separately, development was out of balance, with the highest level of growth coming to 9.3 percent and the lowest 0.5 percent. Of Shanxi's 13 offices

and bureaus (companies) directly subordinate to the province which are covered by the statistical monthly report, the total industrial output value of 8, including the electrical power bureau, the coal office, the chemical industry office, and the construction materials company, all grew to varying degrees.

4. The demand for investment has risen, the structure has been somewhat readjusted, and key construction has made good progress.

In 1990, Shanxi made appropriate increases in fixed assets investment in order to meet the need for starting up the market for encouraging production recovery. According to preliminary figures, Shanxi's capital construction investment came to 5.98 billion yuan, a 14.9 percent increase compared with 1989.

Investment in productive construction has obviously been faster than in nonproductive construction. Shanxi's investment in productive construction came to 4.95 billion yuan, a 17.2 percent increase compared with 1989 and accounting for a proportional rise in total investments of from 81.2 percent in 1989 to 82.7 percent. Investment in nonproductive construction came to 1.03 billion yuan, an increase of 5.3 percent and accounting for a proportional decrease of from 18.8 percent to 17.3 percent.

The focus of investment continued to be inclined toward basic industry. Investment in the coal, electrical power, transportation, post and telecommunications, and agricultural industries tended to grow, coming to 4.4 billion yuan all together and accounting for 73.5 percent of the all investments, thereby maintaining a relatively high level.

Key construction projects progressed smoothly. Investment in Shanxi's nine key state construction projects came to 2.8 billion yuan, 99.9 percent of the annual plan. Investment in 13 local key construction projects came to 650 million yuan, 95 percent of the annual plan.

Investment in technical renovations and transformations came to 2.65 billion yuan in Shanxi in 1990, an increase of 7.8 percent compared with 1989.

5. The market was stabilized, and retail commodity sales volume maintained substantial growth.

The total volume of retail commodity sales for the province in 1990 came to 18.64 billion yuan, a 5.5 percent increase compared with 1989. During the past year, the many measures taken by the various levels throughout Shanxi to get the market started as quick as possible have been quite successful. Retail commodity sales volume has gradually picked up. The first quarter average increase was 3.1 percent, the second quarter 6.4 percent, the third quarter 6.8 percent, and the fourth quarter 5 percent. Especially since June, retail sales volume of the collective and individual economies have begun to pick up again, and the rural market has gradually improved.

In 1990, two obvious characteristics have emerged in the Shanxi market during its period of stability. First, agricultural capital goods have continued to enjoy brisk sales. Retail sales volume for the year of agricultural capital goods was 2.72 billion yuan, a 21.8 percent increase compared with 1989 and a relatively high rate of growth compared with recent years. This coincides with a bumper harvest. Second, the urban market has done relatively well. Retail sales volume of consumer goods for the year came to 15.92 billion yuan, a 3.2 percent increase. City retail sales volume was 8.49 billion yuan, an increase of 3.7 percent. County retail sales volume was 4.21 billion yuan, an increase of 4.6 percent. Retail sales volume for below county level was 3.22 billion yuan, an increase of only 0.2 percent.

6. With the economic levers of prices, finances, and credit playing their roles, the economic climate showed further improvement.

Prices were basically stable. The overall level of retail prices in Shanxi in 1990 rose 2.1 percent, the lowest increase in recent years. Looking at the various categories, food prices were stable with a slight decline, clothing prices showed an obvious decline after having risen, and the price rise in agricultural capital goods was obviously lower than in 1989. This had a positive effect on market stability, economic stability, social stability, and political stability.

The increase in financial revenues and reduction in expenditures was moderate. In 1990, financial revenues in Shanxi came to 5.15 billion yuan, a 320 million yuan increase compared with 1989 and 6.6 percent rise. This exceeded the budgeted increase in financial revenues of 170 million yuan by 3.5 percent. Industrial and commercial tax income came to 4.57 billion yuan, a revenue increase of 370 million yuan, a rise of 8.9 percent, and fulfilling the annual budget by 101.8 percent. Agricultural tax income came to 150 million yuan, a revenue increase of 5.92 million yuan, a 4.1 percent increase, and fulfilling the annual budget by 110.5 percent. Financial expenditures came to 5.45 billion yuan, a 7.2 percent increase compared with 1989 and an 870 million yuan reduction compared to the budget. During the past year, Shanxi's fiscal administration has been continuing to implement specific policies of retrenchment and adhering to the general policy of opening up sources of revenue and holding back on expenditures. It has, at the same time, done a relatively good job of guaranteeing the developmental needs of various categories of undertakings.

The financial situation has been stable. In 1990, the Shanxi financial system, while continuing to implement general policies of overall control, has, at the same time, been readjusting its operational dynamics in a timely fashion. At year's end, bank deposit balances of various categories came to 31.41 billion yuan, an increase of 6.54 billion yuan compared with the beginning of the year and a rise of 26.3 percent. Various categories of loan balances came to 35.69 billion yuan, a 7.59 billion yuan increase

compared with the beginning of the year and a rise of 27 percent. The net amount of money supplied to the market was 4.47 billion yuan, 750 million more than was supplied in 1989. In 1990, credit funds in Shanxi showed a relatively large increase, mainly guaranteeing the funding requirements of such things as key-enterprise production, the purchase of agricultural and sideline products, agricultural loans, and township and town enterprise loans. This trend has vigorously supported growth of the national economy throughout the province.

7. Foreign economic relations have seen steady growth, and international tourism has revived.

In 1990, Shanxi's foreign trade exports were confronted with a serious situation involving increased purchase prices, increased cost of exports, tight credit, insufficient sources of goods with a ready market, and an unfavorable international climate. Because of the concern and support of government at various levels and departments in charge and because of foreign trade departments actively readjusting the export product mix, firmly dealing with export product quality, and improving the rate of fulfilling foreign agreements, foreign trade exports were able to maintain steady growth and the state plan was fulfilled two months ahead of time. Exports in 1990 came to \$458 million, a 14.6 percent increase compared with 1989 and overfulfilling the state plan by 31.4 percent and the provincial plan by 20.6 percent. Of 40 principle export products, the annual plan for 20 of them, including silicon iron, coking coal, agate steel tubing, cast forgings, mung beans, frozen beef, and bamboo-leaf green wine, was fulfilled or overfulfilled. Nineteen of Shanxi's import-export companies took part in the 1990 Guangzhou Trade Fair where they concluded export transactions worth \$100.83 million, a 17.6 percent increase over the previous trade fair and setting the best record ever. Import deliveries for 1990 came to \$43.01 million, a decrease of \$18.86 million compared with 1989 and a drop 43.9 percent.

The number of international personages, overseas Chinese, and compatriots from Hong Kong, Macao, and Taiwan who came to Shanxi as tourists abruptly increased from 2,154 persons in 1989 to 56,246 persons in 1990. This basically approaches the highest level on record. Foreign exchange earned from tourism increased 13.13 million yuan compared with 1989.

In reviewing the growth of the national economy for the past year, at the same time we are fully affirming its positive aspects, we also cannot lose sight of its bad aspects. Because the question of deep stratification has yet to be resolved, the development of Shanxi's economy is still facing some glaring problems.

First, finished goods are seriously overstocked and the production and sales cycle is not smooth, thereby putting constraints on normal industrial production. In 1990, funds for industrial enterprise finished goods within Shanxi's local budget accounted for as much as 3.089

billion yuan, a 34.7 percent increase compared with 1989 and obviously exceeding normal years. It is worth noting that Shanxi's inventory of superior finished goods is seriously overstocked.

Second, economic efficiency has declined, and enterprises incurring losses have increased.

Comparing 1990 with 1989, there has been a 0.7 percent drop in the output value of industrial enterprises that are within the Shanxi budget, a 3.2 percent decline in sales income, a 14.2 percent decline in realized taxes, a 5.3 percent rise in the cost of comparable products, and a deficit of 281 million yuan, a more than 2-fold increase. The decline in economic efficiency has aggravated fiscal difficulties. Judging from the rate of financial revenue growth in Shanxi in 1990, there has been a fluctuating trend toward decline. January was as high as 30.7 percent. The first quarter slid to 8 percent, and the last half of the year climbed to 12 percent. For the entire year, it declined to 6.6 percent.

Third, immediate demand was insufficient and surplus purchasing power abruptly increased, thereby continuing the structural slump in the market. At the end of 1990, urban and rural savings deposit balances came to 23.13 billion yuan, an increase of 5.96 billion yuan compared with the beginning of the year. If cash on hand is included, Shanxi surplus purchasing power would probably come to 28 billion yuan or more, equivalent to more than 3-fold the total amount of commercial inventory. The volume of retail sales of consumer items for the province only increased 3.2 percent compared to 1989. If we deduct price factors, the actual increase was only 1.07 percent. There was an obvious slump in the market for rural consumer goods. Shanxi's volume of retail sales of consumer goods below county level increased only 0.2 percent compared to 1989, and if we deduct price factors, there was an actual decline.

Fourth, structural readjustments have made slow progress. There has been no prominent progress in resolving the deep stratification contradiction. Optimizing the structure constitutes one of the main goals of improvement and rectification and the main way out for extricating the national economy from its predicament. However, because of a variety of factors, there was no obvious qualitative progress in making structural readjustments during 1990. Light industrial output value in Shanxi only increased 0.8 percent during the year. We have to admit that this was definitely linked to an irrational structure of light industry and partially to a lack of product quality, inferior goods, a lack of variety, and weak capacity for competition.

The year 1991 is the first year of the Eighth Five-Year Plan and a crucial year for improvement and rectification to make the transition from resolving the contradiction of shallow stratification to resolving the contradiction of deep stratification. We have to realize that, as long as the glaring problems associated with structure

and efficiency continue to exist in the economic operational process, we cannot consider that the economy has pulled out of its predicament. During the new year, we have to seriously and thoroughly implement the spirit of the Shanxi work conference on economic planning and focus economic work on readjusting the product mix and improving efficiency.

(1) We must firmly grasp readjustment of product mix. At present, the main aspect of the economic structure that is affecting Shanxi's development of production and economic efficiency is irrational product mix. Primary products abound, the degree of processing is slight, designs and varieties are few, many products have no ready market, and there is serious oversupply. Although it can be said that some work was done to readjust product mix in Shanxi in 1990, progress on this was slow and the results achieved were not notable. In 1991, we have to realize success in readjusting product mix. We must continue to increase production of goods which have a ready market, conscientiously organize and put into effect the list of products that the provincial government has determined should be given key support or should be restricted, and give comprehensive support to products whose growth is to be encouraged, thereby guaranteeing a relatively large increase for them. We must speed up replacing the older generation of products with new ones and work hard to develop new products. And at the same time that we are continuing to deal firmly with completing the technical renovation of the 58 key enterprises originally decided upon, we must add a new batch of key enterprises to be transformed.

(2) We must work hard to improve economic efficiency. At present, a considerable portion of Shanxi's economic growth has relied on extensive enlarged reproduction, which means increased investment and a relatively small portion of the economy relying on the factors of managerial and technical progress for growth. This weak point, under attack since the first half of 1989 when the market slump emerged, became more and more apparent. Because they could not withstand the pressures of the market slump, enterprises saw their efficiency continue to slip. For this reason, economic work in 1991 must place improvement of economic efficiency in an extremely important position. By developing top quality, superior varieties, and high efficiency as the goals of "management year" activities, by conscientiously strengthening management, and by promoting technical progress, we will ultimately reduce the expenditure of human labor and the consumption of material means used in the course of production. In specific operations, we must clear the channels of circulation and build closer industrial and commercial ties; put flexible price policies into practice; further introduce industrial goods to the countryside and exploit the rural market; actively develop foreign trade and work hard to open international markets; strengthen market information and research and product publicity; do a good job of after-sales service; and strengthen enterprise management and actively promote technical progress.

(3) We must enlarge the weight of reform as appropriate. Fundamentally, development of economic and social continuity, stability, and coordination requires appropriate systemic guarantees. If we are to surmount our present economic difficulties and resolve deep stratification contradictions such as structural imbalances and low efficiency, we have to further implement the deepening of reform. For this reason, we must take full advantage of the huge success we have attained with improvement and rectification, of certain shallow stratification contradictions in economic life which we have reconciled, and of improved socioeconomic stability in order to focus on the need to readjust the structure and improve efficiency, thereby enlarging the weight of reform. On the basis of what we have learned from reform up to now, we must, from now on and as quickly as possible, establish comprehensive reform programs and specific measures. This will make it possible for various reform measures to be linked up with each other and coordinated and guarantee an orderly implementation of reform and opening to the outside world. We must further vitalize enterprises, especially large- and middle-size state-operated key enterprises. We must arouse the enthusiasm of enterprise cadres and workers and staff personnel. We must improve the ability of enterprises to transform and develop themselves. In continuing to deepen reform, the focus must be on perfecting the dual levels of management, strengthening the function of uniform management levels, setting up and perfecting a system of social services, continuing to consolidate and perfect the system of contracted household responsibility related to output, and where conditions warrant, promote moderate-scale management according to the desires of the peasants. We must set up and perfect additional systems of macroeconomic regulation and control. Planning, banking, financial, statistical, and industrial and commercial departments must mutually cooperate in doing their utmost to eliminate the mechanisms causing structural imbalances and low efficiency and gradually foster mechanisms for rational distribution and correct beneficial guidance. In perfecting the market system, we must properly select points of integration for the planned economy and market regulation, do a good job of resolving the problem of gradually moving the dual-track pricing system toward a single-track system in order to guarantee normal production order and to create an external competitive environment that is equal for both producers and managers. And we must, as soon as possible, establish and perfect a system of social safeguards for those waiting for employment, thereby creating a stable social environment for making structural readjustments.

#### **Commentator Urges Renewal of State-Run Enterprises**

91CE0380A Hangzhou ZHEJIANG RIBAO in Chinese  
14 Feb 91 p 1

[Commentator's article: "Managing and Revitalizing Large and Medium-Sized Enterprises"]

[Text] In its suggestions on formulating Zhejiang Province's 10-year program and Eighth Five-Year Plan for

economic and social development, the provincial party committee emphasizes managing well and revitalizing large and medium-sized, key and backbone enterprises.

Large and medium-sized enterprises are the main source of state revenue, the backbone of the socialist economy, and the main pillar for building the socialist modernization.

In 1989 there were over 45,000 industrial enterprises above the township level in Zhejiang. Of these, 362 were of large or medium size; although they only accounted for 0.8 percent of all enterprises, they generated a net output value of as much as 6.749 billion yuan, or 36.3 percent of the province's total output value, and 3.216 billion yuan in profits and taxes, or 41.1 percent of the province's total. In 1990 there were more than 500 large and medium-sized enterprises in Zhejiang. Their share of the province's industrial output value and profits and taxes is expected to increase greatly. In addition, these enterprises possess relatively more advanced science and technology and facilities. In general, their total labor productivity, per capita net output value, generated profits and taxes per 100 yuan of capital, and realized profits and taxes per 100 yuan of fixed assets are noticeably higher than those of small enterprises.

All these facts indicate that large and medium-sized enterprises have a particularly important position in the national economy. It is crucial to a sound national economy that we properly manage and revitalize these enterprises, extensively increase their efficiency, strengthen their developmental logistics, and give full play to their leadership and key uses.

Due to reform in the past years, the vitality of large and medium-sized enterprises in Zhejiang has improved somewhat. However, quite a few enterprises still face many difficulties, operating under a relatively heavy burden. In some enterprises, work shops, facilities, and technology are outdated, internal management is problematic, and economic efficiency is low. Some enterprises even suffer partial or total losses. For various reasons, some enterprises still lack full operational autonomy and proper operating mechanisms. They are not truly revitalized, and cannot adjust to the changing and severely competitive market. They lack the ability to accumulate capital, improve their conditions, and develop by themselves. They also have no capability to constantly expand. We should pay attention to these problems and solve them one by one. We must determinedly try to revitalize these large and medium-sized enterprises.

How can we revitalize them? There are many complex factors involved, but in the final analysis, we should try first to improve external conditions and then to strengthen internal management.

Presently both the central and provincial governments are taking revitalization of large and medium-sized

enterprises seriously. Party committees and governments at all levels, economic agencies, and departments in charge of enterprises should give priority to the proper management and revitalization of large and medium-sized enterprises. They should conduct special studies and discussions of this issue, and plan to send many cadres to these enterprises to help their work; they should locate key problems, major contradictions, and work difficulties; and should conduct extensive investigations and studies so as to actually help solve some of the problems, with the goal of being effective. We should maintain the stability and consistency of policies and earnestly implement existing laws, regulations, and policies for revitalizing enterprises. We should perfect and develop the enterprise contract and responsibility system; continue separating government and enterprise responsibilities; and reasonably separate ownership and management, so that large and medium-sized enterprises may truly become independent producers and managers of socialist commodity production and assume responsibility for their profits or losses. Based on the state's industrial policies and financial and material capacities, we will give reasonable preference to large and medium-sized enterprises when distributing funds, energy, and materials, and we will set reasonably favorable conditions for taxation. We should help these enterprises solve real problems concerning investment decision-making, the financial environment, and employment and personnel management. We will progressively perfect the system of enterprise depreciation and define a reasonable limit for their profit retention. We will actively form enterprise groups to achieve economies of scale. In a word, government leading organs and relevant departments in charge should provide services and work hard to create sound environmental conditions for these enterprises.

The key to running these enterprises well and to eventually revitalizing them lies in the enterprises' own capabilities. They must bestir themselves, look internally, develop subjective initiatives, and fully use their existing production capacity and other elements. Complete attention and effort should be given to "establishing foundations, upgrading production levels, and increasing efficiency." They must firmly establish the concepts of market and customers in order to open up both the domestic and international markets. Enterprises should set up and promote mechanisms for structural adjustment and technological advancement, and earnestly continue structural adjustment and scientific research and application. They should commit themselves to pursuing "quality, product diversity, and efficiency," and automatically stay with the goal of their actions. Product types must be suited to the market. One major product may be accompanied by a variety of other products in a multidirectional operation so as to increase enterprises' abilities to respond to a changing environment. Enterprises must also raise their products' grade, added value, and quality. They must make painstaking efforts to improve management at grassroots levels and

to carry out activities to increase productivity and efficiency, reduce energy and material costs, and encourage constructive suggestions from employees, and thus further tap internal potentials of the enterprises. Enterprises must intensify reforms of the leadership system and operational mechanisms. They must improve their personnel systems, labor and wage systems, and the profit retention and distribution systems, and do away with the phenomena of everyone eating out of the same pot and of lax discipline. Party-building and ideological and political work must be strengthened to take advantage of the party's political superiority. Enterprises should wholeheartedly depend on the working class and fully mobilize the socialist enthusiasm of the broad numbers of managers and laborers. They should promote the employees' sense of being their own masters, and use effective ideological education to raise employees' ideological morality, work ethics, and educational levels. In this way a labor force with ideals, morality, literacy, and discipline will come into being. Let us strive for the success of these enterprises.

## FINANCE, BANKING

### Report on Pilot Tax, Profit Separation Projects

91CE0338A Beijing ZHONGGUO TONGJI XINXI  
BAO in Chinese 17 Jan 91 p 2

[Article by Du Yi (2629 1355): "A Summary of Tax and Profit Separation Pilot Programs"]

[Text] "Separation of tax and profit"—a reform pilot program designed to smooth out the distribution relations between the state and the enterprise and establish new enterprise operational and macroeconomic regulatory mechanisms—has been carried out vigorously in some cities in recent years. It has been affirmed by the state as the basic direction of the reform of state enterprises. This reform is still a fairly controversial issue in the theoretical circle. The situation of pilot programs also varies substantially in different areas. This article tries to make a brief account of the basic situation of progress made as of today in the pilot programs of this reform.

The experiment of the reform of separating tax and profit was proposed by the Ministry of Finance in the second half of 1987. The main contents of the pilot program are: 1) lowering the income tax rate and strengthening the income tax system; 2) abolishing the stipulations that allow enterprises to use before-tax profits to pay back fixed-asset investment loans and withdraw "two funds"; 3) eliminating the tax category of regulatory taxes; and 4) implementing the after-tax profit delivery contract in enterprises. Chongqing City was the first to experiment with the reform of separating tax from profit in 1988. Later Yiyang City of Hunan Province, Xiamen City of Fujian Province, Nanyang City of Henan Province, and Mudanjiang City of Heilongjiang Province also carried out the pilot program of the reform of separating tax from profit. Judged from the situations



of all localities, the concrete practices of the pilot reform program are different in some areas:

1. There are three approaches to the reform of the income tax system: Chongqing, Nanyang, and Yiyang used the five-level above-quota progressive tax system which is 10 to 35 percent; Mudanjiang used 35 percent of proportional tax rate; and the Xiamen Special Economic Zone lowered the income tax rate and opted for 15 percent of proportional tax. All three approaches did away with the category of regulatory tax.

2. On the issue of loan repayment, the general practice is to divide loans into new and old ones based on when the pilot program was started. Chongqing and Nanyang demanded that half of the old loans be repaid before tax and the other half after tax; Yiyang demanded that 60 percent of old loans be repaid before tax and 40 percent after tax; Mudanjiang did not have concrete divisions and decided to adjust the ratio of before- and after-tax loan repayment according to the principle of gradual transition; Xiamen demanded that all old loans be repaid after tax. As for new loans, all pilot areas demanded that they be repaid after tax.

3. Different localities have different approaches to the contract of after-tax profit. In accordance with enterprises' profit situation and management characteristics, Chongqing adopted such methods as "guaranteed progressive delivery," "fixed delivery," "after-tax fixed refund," "fixed-percentage profit sharing," "above-quota graded profit sharing." Yiyang City's approach is to have enterprises deliver, in light of their situation, to the state a certain amount of profits no more than 20 percent if they have profits left after they have paid the tax and taken out the authorized amount of profit retention and loan repayment base. Nanyang City used such methods as "the progressive profit delivery contract, under which enterprises retain all surplus profits and make up their own losses," "the contract of profit delivery base under which enterprises retain all surplus profits and make up whatever is insufficient," and "fixed-percentage after-tax profit delivery." Mudanjiang City's practices include "proportional delivery," "fixed delivery," "zero contract," "financial refund," and "deficit contract and profit-sharing after reduction of losses." Xiamen City formulated the profit delivery rate of enterprises which ranges from 1 to 35 percent, averaging 12 percent.

Judged from the situation of all localities, after the pilot program, enterprises' economic returns have somewhat increased, the pattern of profit distribution has changed, the interests of the state, enterprises, and workers have been better represented, the ratio of state revenue has increased slightly, the concept of efficiency of enterprise investment has been enhanced, and enterprises' internal financial management and accounting supervision have been strengthened. The results are fairly obvious. The initial purpose of separating tax from profit has been achieved.

But the pilot program of the reform of separating tax from profit has also revealed many problems. They are mainly as follows: 1) Enterprises' ability to absorb the pilot program of separating tax from profit is limited. After paying taxes, many enterprises are unable to sign a contract or repay loans. 2) After paying income taxes, enterprises have to pay other levies calculated on the basis of their incomes such as the energy and transportation and the budget regulation funds. Their burden is still too heavy. 3) Although old loans are allowed to be repaid according to a set percentage of before- and after-tax payments, enterprises have too many past burdens. As a result, their profit retention is small but pressures are high. 4) Enterprises have limited financial resources, and major technological transformation has been affected.

Currently most people in business and economic theory circles think that the separation of tax from profit is the direction of smoothing out the distribution relations between the state and the enterprise, but conditions are not available for all-round implementation. Since the environment enterprises are facing is rather grim, we still need to give play to the function of incentive of the contract system. The current pilot program of separating tax from profit is still immature and needs to be improved. The reform of separating tax from profit cannot be carried out alone. It should be coordinated with the reform of all financial, tax, credit, and investment systems. Many views on revising and exploring the pilot program have been voiced by different circles. They are summarized as follows:

#### 1. Enterprises' income tax

The key to separating tax and profit is the quantitative limit of income tax rate. It is necessary to reflect the basic economic property of income tax. Income taxes paid by enterprises are used mainly to cover the expenses of the state when it exercises the role of social administrative manager, namely the expenses of public social consumption. Profits delivered to the state by enterprises are used mainly for increasing the value of assets, namely the expenses of investment. Because of this, we should consolidate the various bonds, funds, and expenses paid by enterprises with their profits to gradually standardize them and include them in the regular channels of tax or state property returns. To determine the level of tax rate, the most important is to consider enterprises' real ability to pay and allow enterprises to retain a certain percentage of profits for their own use to give them some vitality. As far as the tax system is concerned, one view favors the implementation of a unified proportional tax rate to reflect fair tax burden and fair competition; the other view favors the implementation of above-quota progressive tax rate to distinguish between enterprises of different profit levels. As far as tax rate is concerned, most people think that 35 percent is still too high and should be properly lowered in light of the reality so that most enterprises can enforce



it. As for a few enterprises which have higher economic returns, their after-tax profits may be regulated through other means.

## 2. After-tax loan repayment

After-tax loan repayment is an important content of the reform of separating tax from profit as well as a key to the success and failure of this reform. Currently after-tax loan repayment should be focused on enterprises' new loans. A ratio should be rationally figured out in light of enterprises' realities for the amount of old loans to be paid back before or after taxes. As for the undecided part of old loans, we suggest that they be taken care of jointly by the state finance, banks, and enterprises. Enterprises' new investment loans should be treated differently according to feasible policies and measures adopted on the basis of the classification of investment items and the analysis of enterprises' ability to pay. Loans for those "short, flat, and quick" projects which require little investment and quick yields may be repaid after taxes. As for those projects which require a large amount of investment, recovery period is long, and have good social returns but poor enterprise economic returns, we should study and adopt new investment and loan repayment methods.

## 3. The form of enforcement.

The form of enforcement refers to the form of enterprise management under which the separation of tax and profit can be enforced. Currently pilot enterprises adopt the contract system. An advantage of this practice is that it is easy to make connections. However, this practice cannot avoid preserving the flaws of the current contract system. In theory, after tax is separated from profit, the state's property returns will be separated from tax revenue and enterprises' after-tax profits will be distributed between enterprises and the state in accordance with the level of average profit or interest rates. During concrete enforcement, we may adopt different forms of enforcement in accordance with different situations such as rent, fees for property use, dividends, and contract fees.

It is understood that during the Eighth Five-Year Plan period, the state will mainly adhere to and perfect various existing forms of contract management system in regard to enterprise reform. At the same time, it will continue to carry out the pilot program of the reform of separating tax from profit in selected cities. The pilot program should use city as a unit. Pilot enterprises should have unified tax burden and not given any preferential treatment. To find a good solution to the issue of enterprise loan repayment, the departments concerned have suggested that the program of separating tax from profit make some readjustments such as properly lowering the tax on enterprises' profit income, raising enterprises' fixed-asset depreciation rate, and stopping the levy of energy, transportation, budget regulation funds.

## INDUSTRY

### Guangdong Views Industrial Structure Readjustment

91CE0394B Guangzhou NANFANG RIBAO in Chinese  
20 Feb 91 p 4

[Unattributed article: "New Framework for Restructuring Guangdong Industry; Summary of Guangdong Industrial Structure Study Session"]

[Text] In light of the general trend of international industrial reorganization and domestic industrial changes, a readjustment of Guangdong's industrial structure is inevitable. How should we understand our province's current industrial structure and what industrial model should we establish? Relevant scientific research units and departments of the provincial CPC committee and provincial government jointly convened a Guangdong Industrial Structure Study Session on this topic. The summary of the discussions is as follows.

### I. The Current State of Guangdong's Industrial Structure

Those at the meeting thought that our province's current industrial structure is unbalanced and uncoordinated, characterized primarily as follows: (1) primary industries are not suited to the development of secondary and tertiary industries; (2) the growth of the processing industry, especially the consumer industry, is much faster than the capacity of basic industry to endure it; (3) the capacity of the processing industry in general is too great and the capacity of high level processing industry is inadequate.

Many attendees thought that the causes of lack of coordination in industrial structure lie in the fact that the current trade system doesn't make sense. First of all, the reform of the price system was not thorough, so that the price parity and price difference of some goods are not rational. This price distortion pushed pluralistic investment toward processing industries which have higher prices and bigger profits. This price distortion will also cause the product mix and the industrial structures of various locations to become more uniform. Second, the existing imperfect contracting system has intensified the imbalance of the industrial structure. First, the current revenue system, in which such taxes as product taxes and business taxes are intimately related to output value, easily leads to local governments one-sidedly pursuing output value but ignoring benefits; in the tax structure, the processing industry's tax turnaround rate is higher than that of basic industry so that the scales of local government investment are tipped towards processing industries and consumer industries, hence aggravating the lack of coordination in processing industry structure. Second, the existing enterprise contract system objectively demands that the enterprise only be able to increase value of output to increase enterprise income. At the same time, the contractual relations of the contracting system have made it hard to develop broadly a

structural readjustment in inventory whose main technique is merging and restructuring. Third, an inability to thoroughly clarify the relationship of the peasant and the land and irregular management rights in the agricultural joint production contracting system made peasants unwilling to make long-term investments in the land, and brought about a decline of land benefits, and the increasing weakening of the agricultural foundation.

## II. Target Model of Guangdong Industrial Structure

The participants mentioned the following target models:

1) The light, high-efficiency, export-oriented industrial model. The structure of this model is an orientation toward the international market with the domestic market, relying on the domestic market and high standard light industry as the mainstay. These three enterprises must be closely coordinated and wholly integrated in order to form an industrial structure that will have high efficiency and the ability for self promotion and transformation.

2) An industrial model oriented towards heavy, chemical and basic industries. This model demands that while continuing to increase the absolute value of light industry, we should gradually diminish its relative proportion of the gross value of industrial output and increase the relative proportion of heavy, chemical, and basic industry.

3) The primarily light industry with heavy industry bringing along light industry model. Those who put forth this model think that for Guangdong to develop light industry on the basis of its own actual circumstances in a key way but spur it on with the heavy and chemical industries, which are somewhat larger, cannot view heavy and chemical industry only as associated industries.

4) The model oriented towards high technology. This model is divided into two levels: one is to inject modern S&T into traditional industries and the other is to concentrate efforts on developing several high tech industries. Those who hold this viewpoint think that Guangdong should develop such leading industries as bio-engineering and electro-mechanics to spur the development of related industries and hence spur the high speed turnaround of the entire economy.

## III. How To Structure Guangdong's Structurally Mature Industrial System

A structurally mature system is an important condition for realizing the industrial structure goals. The participants gave the following views on the specific structures:

1) Deepen system reform, structure the motive mechanism for balanced development of the industrial structure. This includes: (a) Promptly reforming the pricing system and deviations in the industrial structure; (b) On the foundation of existing local finance contracts, reorganize the tax rates and improve types of taxes and,

while reducing the enterprise burden, carry out "separating taxes from profits, paying loans after paying taxes, and instituting an after-tax contract system, effect a gradual transition from tax separation/percentage responsibility system" [fen shui fen cheng bao gan zhi 0433 4451 0433 2052 0545 1626 0455] to tax separation system. (c) Establish a macroeconomic management operations system based on national capital management and on this foundation establish an enterprise corporate system. (d) Deepen market mechanism reform to create an integrated and competitive socialist market that is orderly and fair.

2) Implement correct industrial policy.

3) Improve the level of science and technology and promote the advance of industrial technology.

## Textile Industry Focuses on Quality

91CE0394A Nanjing XINHUA RIBAO in Chinese  
4 Feb 91 p 1

[Unattributed article: "Problems With Raw Materials, Financing, and Markets Multiply, What's an Enterprise To Do?"]

[Text] The textile industry, which is the mainstay industry of our province's economy, faced a grim situation in which such sharply increased factors intertwine with numerous difficulties such as raw materials shortages, market softening, fund insufficiencies, increasing costs reduced profits. Through the all-out effort of the vast numbers of staff and employees in 1990, it upheld the basic stability of production, foreign exchange earnings from exports continued to grow, economic benefits took first place in the national textile system, and 20 percent of the enterprises' realized taxes and profits grew to varying degrees compared to the previous year.

Last year, our province's textile industry launched a "product quality year" throughout the province. The primary experience of why economic benefits of the textile enterprises in some areas continued to grow were:

Product structure was readjusted in line with the market. Adapting to market demand, Jiangyin City launched three major products: "imitation silk, imitation linen, and imitation wool." In one year, 10 imitation silk products in 300 colors, 2,780,000 meters of linen goods, 17 imitation wool goods in over 800 colors were put on the market and became best sellers. The Zhangjiangang City changed the pattern of "large quantity, quality popular goods, and long period" products of the past, and began producing large groups of new products suited to the needs of consumers of different levels. Last year, after having passed inspection, 14 new provincial level textile products went into batch production and realized a value of production of 160 million yuan, with a profit of 25.45 million yuan.

Basic enterprise management, steady product quality, and good market reputation were taken seriously. Changshu City's colored textiles plant No 2 implemented plant-wide quality veto so that the first-grade

product ratio just in combined storage rose 16.44 percent over 1989 and directly created 293,000 yuan in economic benefits. By implementing a quality responsibility system, the city's knitted underwear plant's rate of first quality goods for export increased from 94 percent to 98 percent, and this alone increased earnings by over 200,000 yuan. Last year, Changshu City's textile industry system's taxes and profits increased 4.17 percent over the previous year.

What is the development direction for our province's textile industry in the Eighth Five-Year Plan and the nineties? At the Meeting of Textile Industry Bureau Chiefs (Managers), Provincial Governor Chen Huanyou clearly set forth three demands: First, the future development of the textile industry is not in "quantity." Rather, the key is in increasing "quality." Not only should we not increase the number of spindles for a long time, we should reduce them considerably. We should rely on variety, quality, lowering consumption, and improving management to increase economic benefits. Second, focusing on the large number of medium- and small-scale enterprises and decentralization in our province's textile industry, we should vigorously amalgamate, improve the level of organization, and exploit the advantages of integration. Third, in export strategy, we should switch from the quantity model of the past to one of quality and economic benefits, and at the same time, vigorously set up various types of "three kinds of partially or wholly foreign-owned" enterprises to search for a new path for Jiangsu's textile industry to take in the international market.

### SMALL-SCALE ENTERPRISES

#### **Banks Urged To Support Township Enterprises**

91CE0342A Beijing NONGMIN RIBAO in Chinese  
4 Feb 91 p 2

[Article by staff reporter Zhao Zekun (6392 3419 3824):  
"'One-Third of the Country' Must Not Fall: 1991  
Thoughts on Credit for Township Enterprises"]

[Text] China's township enterprises are eye-catching and deserve great care.

As reform and opening to the outside were stepping over the threshold of the 1990's, happy news came to the fore. In 1990 the gross output value of the nation's township enterprises was 950 billion yuan. Their industrial output value accounted for one-third of the country's total industrial output value. This splendid achievement, nourished by the hard work of 90 million peasant workers, is a sign that township enterprises' role as one-third of the country has already been established. However, the size of the 1991 credit allocation gives one pause; with only 3 billion yuan going to the Agricultural Bank—which is an even smaller increase than in 1990—and with planned management growing ever more detailed, it is difficult to accommodate township enterprises' needs for continued and steady development. At

the beginning of the year, this reporter visited some in financial circles and got an even stronger response from them.

Jiangsu is one of the provinces in China where township enterprises developed the earliest and the fastest. Up to last year, Jiangsu's township enterprises could be said to be half the land, or one-half of the province. Their output value exceeded 100 billion yuan, accounting for 50 percent of the province's total industrial output value. In the last decade or so, Jiangsu's township enterprises have come out from the side-streets, and one-third of the enterprises are externally oriented and generate foreign exchange; the extent of their development and strength directly affects the economy of the entire region. What is chilling to the president of the provincial Agricultural Bank, which is responsible for township enterprise credit work in the province, is that only about 400 million yuan in credit is to be used for township enterprises. How are enterprises to survive the fierce market competition without credit support?

Township enterprises are an important pillar in rural economic development, and they are also an important source of state tax revenues. Last year, the country's township enterprises turned over 41 billion yuan in taxes to the state, accounting for over one-fifth of total tax revenues. Today, in many places township enterprises are no longer small workshops; some village enterprises can even manage Chinese-foreign joint ventures on a large scale, and the development of township enterprises is indispensable to agricultural development. Statistics indicate that each year township enterprises provide 7 billion yuan in funds, using industry to supplement agriculture and using industry to build agriculture. In many regions nationwide, farmland building, irrigation projects, cadres salaries, and rural retention are all subsidized by the "bleeding" of township enterprises. Furthermore, many of China's township enterprises exist to serve urban industries, promoting the advancement of large industries by absorbing their products, helping with their production, or performing primary processing for them. As data indicate, last year 65 percent of the increase in the nation's industrial production was facilitated by the increase in township industries, and it will be the same this year. Township enterprises have also absorbed a large amount of surplus rural labor, improved the quality of the entire rural labor force, and helped impoverished regions shake off poverty and get rich. The township enterprise has become an artery in the whole social economy, and a small disturbance can hurt its body and harm its skin, thus affecting its growth. With regard to the sums allocated for this year, presidents of the provincial agricultural banks in Jiangsu, Guangdong, Shandong, Fujian, and Zhejiang said that nationwide, the plan is to increase credit by 13 percent, yet the amount to be used in township enterprises will only be 4.3 percent of the total planned increase in circulating fund credit for industry. This is most incompatible with the status of township enterprises.

After a small increase last year, credit for township enterprises has been reduced, thus inevitably shifting the demand for credit onto credit cooperatives. However, the amount of capital in credit cooperatives nationwide is uneven; in particular, in underdeveloped regions the amount of capital credit cooperatives have is very thin, and it is insufficient for supporting township enterprises. A responsible person in charge of township industry credit in the Agricultural Bank's headquarters said that only one-third of credit cooperatives nationwide can deliver funds to support township enterprises, and about half of the credit cooperatives do not have the capacity to issue credit. Last year in Qinghai Province, credit cooperatives had no credit available for township enterprises, and in all of Guizhou Province there was only 9 million yuan available. In Shaanxi, Inner Mongolia, Gansu, Sichuan, and Guangxi, credit cooperatives do not have strong amounts of capital; they can only supplement credit for township enterprises in a measured way, in accordance with the size of the deposit, after having first ensured the peasants' production and livelihoods were supported. If township enterprises' demand for credit is forced onto the credit cooperatives, this will inevitably weaken and affect credit for agricultural production and credit for peasants' daily lives. The balance between benefit and harm is, of course, very clear.

Township enterprises are rooted in and maturing on the land; they are mostly processing enterprises that are dependent on local resources. The seasonal character of the green fields and forests has also determined their seasonal character, with purchase, storage, production, and marketing relatively concentrated in certain seasons. They differ from large, urban industries, for they do not have a relatively smooth cycle, and therefore they should not be tied too tightly to credit plans. If command control is applied to circulating fund credit, and if credit plans are subjected to tracking and examination every quarter, month, or even every 10 days, it would be difficult to satisfy enterprises' normal need for seasonal reserves. A responsible person from Hebei Province's Agricultural Bank said that, because of command management, everyone is afraid of exceeding the plan, and therefore keeps some in reserve, leading to the problem that, the tighter the credit, the greater the reserves and the greater the demand for funds. Mou Senwan [3664 2773 8001], president of the Chongqing Municipal Agricultural Bank, said that one-fourth of Chongqing's township enterprises are enterprises that process agricultural and animal products, such as silkworm cocoons used for silk, and edible rapeseeds. Because of concentrated purchases, the need for funds is looser. In Chongqing Municipality, township enterprises started up late, and last year they had an output value of 8.2 billion yuan, just entering the golden period of development. Last year they had an output value of 8.2 billion yuan, and this year the municipality demands that they reach 10 billion yuan; thus the scope of credit must be larger, but the allocation is too small. Here again the command control has constrained the enterprises. After improvement and

rectification, China's township enterprises have basically developed at a steady and coordinated rate, and they should never again be tortured by sudden heating and cooling. People in financial circles make the appeal that this year township enterprise growth should be controlled at about the same level as state credit. They also say that management should be loosened and enterprises given more room to adjust, and that the flexibility of planning should be enhanced.

### Heilongjiang Inspects Shandong, Fujian Enterprises

91CE0382A Harbin HEILONGJIANG RIBAO  
in Chinese 6 Feb 91 p 2

[Article by Xie Junwu (6200 0193 2976): "Good Greater Climate—Part One of an Inspection-Examination Report on Shandong and Fujian"]

[Text] Not long ago, as part of a provincial economic inspection-examination group, I examined the economies of the two provinces of Shandong and Fujian. I received great insight into the enormous role the development of township enterprises played in the revitalization of the provinces' economies.

**Insight One: Without the development of township enterprises, there would be no revitalization of the rural economy, and even less revitalization of the provincial economy.** At present, output values of township enterprises in Shandong and Fujian already represent 67 and 50 percent of their respective gross values of rural social output. Township enterprises' industrial output values account for 44 and 33 percent of their respective provincial industrial output values, and taxes remitted represent 26.7 and 19 percent of their respective provincial financial revenues. The gross output value of Shandong's township enterprises already represents half of the province's gross value of social output. Obviously, without the great development of township enterprises, it would have hardly been possible to revitalize the two provinces' economies.

**Insight Two: Party committees and governments at all levels particularly emphasize township enterprise development, and they have always made township enterprise development an important strategic task for revitalizing the provincial economy.** Since the Third Plenum of the 11th CPC Central Committee, Shandong's provincial party committee and provincial government have never relaxed in developing township enterprises, leading the entire province to ride out three crises in the history of township enterprise development, and ensuring the continued and steady development of township enterprises. The first crisis was in 1984, when there were such problems as a lack of liberated thinking, insufficient understanding of the significance of township enterprise development, not giving such development its right place on the agenda, too many policy restrictions, and suffocation of the enterprises. Ten regulations were

formulated to deal with these problems, enabling township enterprises to develop, and giving them a green light. The second crisis was in 1986, when the problem of peasants' food and clothing had basically been resolved, and the rural economy was entering a period of great development of the socialist commodity economy. It was proposed that developing township enterprises was the only path for moving from a food-and-clothing type life to a comfortable life. This required that township enterprises be made an important front army in the development of the national economy, and listed as a strategic focus in the economic development of the "Seventh Five-Year Plan." Also, a 20-article resolution was drawn up; it called for accelerating township enterprise development. The third crisis was in 1989, when there was great pressure from social public opinion, instability in people's minds, and sliding production. To deal with the situation, they affirmed that Shandong's township enterprise development had been healthy and rational, and that there had been no problem with over-heating; they emphasized that township enterprise adjustment should be treated the same as urban enterprise adjustment; and they demanded that township enterprises should, in connection with rectification, work towards the second-step objectives of raising standards and upgrading. These ideas and demands from Shandong's provincial party committee and provincial government became not only the real actions of party committees and governments at all levels, but they also were embodied in the actual work of all departments and industries.

**Insight Three: There is a clear development strategy.** There are three types of urban-rural integration in Shandong. The first is represented by more industrially developed prefectures and municipalities, such as Qingdao and Jinan, with the city bringing along the countryside by disseminating products, capital, technology, and trained personnel. There are about five aspects to this approach: A. Every county or township develops vertical and horizontal development plans and distribution analysis, clarifying for each its development orientation and the contents of the spread of urban industry. B. Every year the economic commission and other departments, in the name of the municipal government, organize and hold an urban-rural economy and technology fair. C. Large and medium-sized urban enterprises send good mid-level cadres down to certain townships (and villages) to support them and act as heads of township (and village) industries. Qingdao Municipality's method is that the fixed place does not change in the long run, while personnel change every year. D. Policies are formulated to encourage urban industries to spread to the countryside. E. Complete leading groups, organized by authoritative comprehensive departments and regulating departments, are established to enhance leadership. The second type of urban-rural integration is that of integrating "trade, industry, and agriculture"; integrating production, processing, and marketing; and integrating planting, processing, and marketing. This is represented by Zhucheng, which established rural commodity production and social service systems with the

market as the objective and with circulation departments such as foreign trade, commerce, and supply and marketing cooperatives as the faucet. Township enterprises are important manufacturing links through which tens of thousands of households are connected. The third type of urban-rural integration, represented by Zibo, is "attaching, networking, and linking." Now 90 percent of large and medium-sized enterprises in that region have established stable, long-term relationships with township enterprises, and 60 percent of township enterprises have formed various unions with four types of large urban enterprises. Fujian, exploiting its advantages of geographical proximity, consanguineous relations, and common language with Taiwan, extensively introduced Taiwanese and overseas Chinese capital, first in coastal township enterprises, which led to the rapid development of township enterprises there. Now the total output value of township enterprises in its four coastal prefectures and municipalities accounts for over 70 percent of the province's output value.

**Insight Four: Both provinces have rather relaxed development environments.** Closely following the development strategy of the provincial party committee and provincial government, all departments and industries have worked to create relatively relaxed environments to support the development of township enterprises. First of all, when rather sensitive policy problems occur, they insist on using production-force criteria and the actual situation as a guide, and exhibit courage by taking certain risks. For instance, Fujian Province regards "joint-household" enterprises as collective enterprises. Some localities made necessary changes regarding taxing township enterprises, thereby enlivening the enterprises, as well as cultivating tax sources. Second, they have relatively large inputs. From 1978 to 1989 Shandong's average annual fixed-asset input was 2.5 billion yuan, while the average annual input for 1986, 1987, and 1988 was 5 billion yuan. Even when money was tight, the fixed-asset inputs of Shandong Province's township enterprises still reached 3.2 billion yuan; they began more than 4,000 new construction projects, expanded more than 2,000, and did technological renovation on more than 2,000. The credit quota for township enterprises has always been larger than that for agriculture, and in addition there is significant special consideration on credit interest. Third there is a policy of support. The two provinces have some rather relaxed policies on customs, tax, industry and commerce, environmental protection, and mining. For instance, in Fujian, equipment donated by overseas Chinese which has a unit price below a certain amount is duty-free.

**Insight Five: There is a relatively complete management system, and a strong group in charge of township enterprises.** In this regard, Shandong has its own special features. The first is that the main cadre line itself takes charge of township enterprises, especially at levels below the county. The second is that they establish, mainly in horizontal frameworks, management mechanisms with their own features. The third is that they establish an

economic commission—guided by the county's township enterprise bureau and departments concerned in the industry—at the township level to take charge of township enterprises. The fourth is that they have personnel and organizations (economic cooperatives) at the village level that are particularly in charge of village-run enterprises. The fifth is that they have all localities formulate relevant policies for stabilizing grassroots enterprises and key personnel in township economic commissions.

**Insight Six: In both provinces, township enterprise employees have a good state of mind, and dare to struggle amidst the great tides of market competition.** They have a strong awareness of their brand name, and actively readjust structures to accommodate market needs and enhance management and work hard on product quality. They fully utilize flexible mechanisms to market products, compete, and work hard to contribute to the revitalization of enterprises and local economies. This is the foundation that has enabled township enterprises in Shandong and Fujian to have continued and steady development.

In recent years township enterprises in Heilongjiang have achieved a rather large degree of development. However, compared with Shandong and Fujian, there are still rather large deficiencies in terms of understanding, development strategies, and production management. Recently, the provincial party committee and provincial government produced policy measures for greatly developing township enterprises. To facilitate the emergence of that situation, the whole province should enhance its sense of urgency and responsibility, and thus accelerate the steps of township enterprise development and increase the rate of growth.

### **Rural Light Industry Develops Despite Austerity**

91CE0403C Beijing ZHONGGUO XIANGZHEN QIYE  
BAO in Chinese 11 Feb 91 p 1

[Article by Li Jianzhu (2621 1696 3796): "Township-Town Light Industry Develops Steadily During Improvement, Rectification"]

[Text] China's township-town light industry has obtained distinct results through improvement and rectification. In the Seventh Five-Year Plan period, this light industry switched from a fairly high rate of growth to a fairly stable, healthy growth. In these five years China's township-town light industry vigorously overcame the difficulties of tight supply in funds, energy, and raw materials; market slump; poor sales of products; and the puzzling problem of "triangular debts." Conscientiously implementing the policy of "adjustment, rectification, transformation, and improvement," it maintained an appropriate measure of growth.

In the Seventh Five-Year Plan period, China's township-town light industry became an industry with considerable scope and definite standards, basically satisfying domestic needs and being able to compete internationally. In 1990 the gross output value of this light industry

was 159.3 billion yuan, accounting for 45 percent of the 231.5 billion yuan in gross output value of China's light industry as a whole (excluding the textile, sewing, and chemical fiber industries).

In the Seventh Five-Year Plan period, there was also a big increase in the amount of principal products in effective supply provided to society by township-town light industry: for example, a net increase of 2.9 million tons in machine-made cardboard, accounting for 38.3 percent of China's total output; a net increase of 319.62 million pieces of leather goods; a net increase of 111.4 million electric fans, accounting for 41.5 percent of China's total output; a net increase of 478.59 million pieces of ceramic ware for daily use; a net increase of 313,000 tons of canned food, accounting for 37.4 percent of China's total output; a net increase of 1.1058 billion pieces of bamboo, rattan, palm fiber, and straw, and their output value accounted for half of China's total output value; and a net increase of 4.851 billion yuan in the output value of arts and crafts. All of these increases were quite closely connected to peoples' lives, not only alleviating to a certain degree the disparity between market supply and demand, but also causing the township-town enterprises to obtain definite economic results.

In the past five years township-town light industry has become an important means of transferring the surplus labor power in the rural areas. Because there are many manual, traditional, and labor-intensive trades in this light industry, it has the capacity for taking in a large part of this surplus labor power. In the Seventh Five-Year Plan period, there was an increase, compared to the number in the Sixth Five-Year Plan period, of 2.035 million members of the labor force who transferred to township-town light industry, accounting for a third of the increase in the number of people who found employment in China's township-town enterprises in the same period. This contributed to the stability of the rural society and economy!

In the Seventh Five-Year Plan period, there was a steady improvement in the quality of the products of township-town light industry. In these five years, two of this light industry's products won the state's silver medal; from 1982 to 1989, 330 of its products won the title of "ministry high-grade product"; and 13 of its enterprises won the "ministry quality-control award." To insure the steady improvement of the quality of their light industry products, township-town enterprises throughout China set up a total of 22 product quality supervision and inspection centers. Among them, the fireworks quality and safety supervision and inspection center of the Pingxiang enterprise in Jiangxi Province at the beginning of 1990, after a ministry-level check and acceptance procedure, was formally designated the "Fireworks Quality Supervision, Inspection, and Test Center of the Ministry of Agriculture." In the Seventh Five-Year Plan period, the standards coverage rate for products of light industry at the township and village levels rose from 50 percent or less in 1985 to 85 percent or more in 1989,

thereby basically eliminating the production without standards of these products. The internal control standards of some light industry enterprises are in the leading position with respect to the standards of China's light industry as a whole, and some of the light industry enterprises have undertaken the work of drawing up draft international standards.

A number of advanced enterprises have sprung up in township-town light industry. Among them 52 are listed as state second-class enterprises, accounting for 44 percent of the total number of such enterprises; and more than 90 light industry export-oriented enterprises and 40 township-town electromechanical enterprises have been appraised as state export base enterprises of various types or expanded-rights enterprises, accounting for 38 percent of the total number of such enterprises.

In the Seventh Five-Year Plan period, there was a distinct improvement in the technical equipment of township-town light industry. In particular, by attracting foreign capital, coastal township-town light industry has drawn in a batch of equipment and advanced production lines. Through joint development with scientific research units and through digestion and absorption, the light industry made a distinct improvement in the fairly backward technical equipment it had in the Sixth Five-Year Plan period. The contribution made by technical progress in township-town enterprises to the growth of their gross output value has now increased to 48 percent from the former 35 percent.

In the Seventh Five-Year Plan period, there was a fairly big increase in the amount of foreign exchange earned by the exports of township-town light industry. According to initial calculations, last year the gross value of export products delivered by township-town light industry (light industry products, food products, local livestock, and handicraft articles) was 24 billion yuan, a 30 percent increase over that of the previous year, and accounting for 50 percent of the total value of products exported by township-town enterprises in China. The industrial fee revenue from the "three forms of import processing, and compensation trade" was 4 billion yuan, a 30 percent increase over that of the previous year, and accounting for 60 percent of the total industrial fee revenue from the "three forms of import processing, and compensation trade" in China. The volume of handicraft articles delivered by township-town enterprises accounted for 38 percent of the output value of the export of handicraft articles by China's light industry. In recent years the export products of China's township-town light industry have won more than 20 international gold and silver medals and top-quality awards. Many light industry export products, besides obtaining inspection-exempt certificates, are praised by foreign businessmen as highly trustworthy products.

In the Seventh Five-Year Plan period, the trade and product mixes of township-town light industry were initially adjusted and improved. Since the beginning of the policy of improvement and rectification, integrating

on a wide scale with local reality, township-town light industry has formulated specific measures and methods for thoroughly implementing the "State Council Decision on the Main Points in the Current Industrial Policy." To different degrees the trade and product mixes of township-town light industry were adjusted to limit the development of ordinary processing industries and to promote the production of important products that earn foreign exchange. According to statistics, in 1989 a total of 8,900 township-town light industry enterprises in China that wasted energy and raw materials, that seriously polluted the environment, and that produced inferior products and had poor economic returns were closed, merged, and transformed.

Township-town enterprises have now begun to change to enterprises that are oriented to speed and performance. The great environment of improvement and rectification has spurred all localities to reverse the situation in which for a long time there was a one-sided pursuit of output value and speed, and in which there was sole dependence on more input and large-scale growth, in the development of township-town light industry, which has begun to switch to the track of development in which the improvement of economic performance is the central task. The market slump since the second half of last year has promoted an emphasis by township-town light industry on tapping internal potential, obtaining a "double increase and double economy," depending on adjustment of the product mix, improving product quality, and improving economic performance. Even in the 8,900 enterprises that were closed, merged, and transformed, there was a 16.1 billion yuan increase in output value.

## FOREIGN TRADE, INVESTMENT

### Favorable Foreign Trade Situation Seen in 1990

91CE0253A Beijing LIAOWANG [OUTLOOK]  
in Chinese No 51, 17 Dec 90 pp 46-47

[By Li Yongzeng (2621 3057 1073)]

[Text] So far in 1990, China's foreign trade situation has been looking better each month. According to Ministry of Foreign Economic Relations and Trade statistics, from January to October, the total volume of domestic exports came to 41.78 billion U.S. dollars, a 20.1 percent increase compared with the same period in 1989. Imports, on a base of a 17.7-percent decline for the first half of 1990 compared with the same period in 1989, rose 5.3 percentage points from July to October. It is estimated that the total volume of import-export trade for all of 1990 will also exceed that of 1989 and that the increase in export volume will be rather large. This achievement has not come easily. It was attained against a background of rather severe international and domestic conditions.



### The Contrast Between Imports and Exports

The continuing increase in exports and the decline in imports is one of the spectacular features of the 1990 foreign trade situation.

China's import-export trade is premised on a basic balance of imports and exports and the maintenance of foreign exchange reserves at a suitable level. An appropriate volume of imports is directly linked to the normal behavior of the domestic economy. Approximately 80 percent of China's imports are now made up of goods in short supply, scarce materials, and technical equipment. Of these, steel products constitute 25 percent of domestic output, rubber is 1.5-fold that of the domestic output, and fertilizers constitute 20 percent of domestic output. At present, imports account for about one-third of the annual increase in the available capacity of the domestic market. Consequently, an appropriate volume of imports is an important factor in maintaining normal production and domestic market stability.

Parties concerned are of the opinion that the 1990 decline in imports was undoubtedly affected by such factors as the domestic economic adjustments, the reduction in capital construction, the weaker demand for imports, and the rise in the cost of imports following the readjustment in the renminbi exchange rate, as well as the tightening of money in circulation and insufficient renminbi funds. However, the main reason was the imposition by Western countries of economic sanctions on China and the halt in any new governmental loan agreements, which strengthened controls on technology exports to China. The difficulty in concluding transactions for the importation of a large amount of certain technologies and equipment has weakened the competitiveness of the products involved on the Chinese market. During the first half of 1990, the number of transactions concluded for importing technology and complete sets of equipment declined 71.6 percent compared with same period in 1989. According to customs statistics, imports from Japan during the first 10 months of 1990 declined 32.66 percent compared with the same period in 1989, those from the United States 19.14 percent, and those from the EC 17.79 percent.

The reason foreign trade exports have been able to sustain a stable pace of growth is first because of people's universally strong awareness of the outwardly oriented economy. From the center to the localities and from governments to enterprises, everyone knows the importance of developing international markets, of preferential policies for exports, and of complete sets of specific measures. In addition, a weak domestic market, enterprises that are striving to exist and one after the other shifting to overseas markets, and large numbers of coastal township and town enterprises actively changing course all illustrate the issue. Second, the serious domestic imbalance in overall supply and overall demand having abated somewhat, the supply of goods for export is now adequate. In addition, the relatively large adjustment in the exchange rate of the renminbi

that the state effected at the end of 1989 stimulated enthusiasm among enterprises to expand exports. Concurrently, China's further expansion of its opening to the outside world, its social stability, and its improved investment climate brought an increase in foreign business investment and in managerial confidence. Between January and October 1990, export volume from the three kinds of partially or wholly foreign-owned enterprises came to 4.2 billion U.S. dollars, a 68.5 percent increase compared with the same period in 1989. This was another important factor in the growth of exports.

Textiles, which account for close to one-fourth of the total amount of foreign exchange that China earns from exports, in 1990 suddenly declined after swiftly increasing and flourishing for several years. This has caused concern in various quarters and constitutes another spectacular feature of foreign trade in 1990.

Statistics show that, between January and August 1990, China's textile and clothing export volume was 8.192 billion yuan [sic], an increase of 4.94 percent compared with the same period in 1989—a much lower rate of increase than in 1989. Of these, clothing exports increased 13.8 percent and textile exports decreased 2.38 percent, constituting the first time in several years that there has been a negative increase. Figures at the end of October showed that only 55 percent of the annual export plan for cotton yarn, polyester yarn, cotton cloth, and polyester cloth, which account for 25 percent of China's textile exports, had been fulfilled. This was the lowest in many years.

To cope with the change in textile exports, textile departments brought in specialists from the areas concerned for discussion and agreement on measures to counteract the problem. According to Ministry of Foreign Economic Relations and Trade statistics, during the 12 years between 1978 and 1989, aggregate textile and clothing exports earned 63 billion U.S. dollars for the state, 21 percent of the total amount of export foreign exchange earned nationwide. According to other customs statistics, in 1989, China's textile exports came to 13.12 billion U.S. dollars, compared with the 2.14 billion U.S. dollars in 1978, a 5-fold increase and climbing to 25 percent of China's total amount of foreign exchange earned from exports. That means that, since reform and opening to the outside, the textile industry has continuously been responsible for one-fifth to one quarter of the foreign exchange earned nationwide, thereby becoming, at the current stage, the main pillar in earning foreign exchange. From 1978 to 1989, the average annual rate of increase for textile exports was 16.3 percent, 6 percentage points higher than the increase in output value for the same period. At present, export value accounts for 22 percent of output value. Of this amount, exported twisted cotton yarn accounts for one-third of output value of cotton products, exported burlap accounts for 80 percent of burlap's output value, and exported silk accounts for about one-half of silk's output value. Of all the sectors of the national economy, the textile industry has become the one most dependent on world trade.



Specialists are of the opinion that the high growth in the eighties of China's textile exports are derived from two sets of favorable circumstances. The first was that "four little tigers" of Asia readjusted their industrial structures and gradually pulled out of the market for textile products of primary manufacture. The second was China's dominance in cotton production with respect to materials and price. On entering the nineties, this dominance was gradually eroded. In recent years, cotton prices have risen many times. In 1989, the average price for cotton coming into the factory was 300 yuan per 50 kilograms. In October 1990, the price of new cotton coming on the market had climbed to 350 yuan per 50 kilograms, equivalent to 90-94 percent of the international price. This clearly shows that the advantage that China once had in the export of textile products because of the cheap price of its raw cotton no longer exists.

Specialists point out that growth in China's export of textile products characterized by their quantitative nature has already "peaked" and that, from now on, further growth will mainly depend on extending the degree of processing. This means that we are going to have to change from exports of a quantitative nature to high-value-added exports and from extensive management to intensive management.

#### **The Continuing Optimization of the Export Mix**

The third feature of foreign trade exports in 1990 is the further optimization of the export product mix at the same time export volume is growing. The export of industrial manufactured goods continues to strengthen while the export of primary products is showing a further decline. For example, tungsten ore has decreased 31.9 percent, rice 48.2 percent, cotton gray 10 percent, and crude oil 2 percent.

For a long time, China's export product mix has mainly been composed of raw materials and primary products, and it still remains a natural resource exporting country. To use textiles as an example again, even though China's textile exports are large in quantity, only a small proportion of them are of high quality. Their average unit price is low, and the foreign exchange earned from the export of fiber products is less per ton than half of what developed countries earn. In the three years from 1987 to 1989, China's export of clothing increased 25.6 percent a year, whereas the annual increase in the monetary amount for total exports was only 27.8 percent. The two figures are almost the same. It can be seen that the increase in the total amount of foreign exchange China earns from exports essentially depends on an expansion of quantity and that there are extremely few products of high added value. This type of situation is roughly the same for other export products.

During the sixties, when Japan lost its title as the world's premier textile exporting country, exports from other domestic industries began to exceed those of textile products. It was then that Japan went from a net importer to a net exporter of machinery and electrical

equipment. During the early part of the eighties, when Taiwan's export of cotton textile products was gradually declining, electronic products were replacing textiles as the principle export. In 1987, when the growth of South Korea's textile exports was obviously slowing, electronic products were similarly replacing textile exports. This marked the turning point for South Korea becoming a trade surplus country.

Thus, looked at from a broad perspective, a decline in textile exports might not be a bad thing. It is a signal that we should move fast to improve the position of machinery and electrical equipment exports. Of course, China would now find it more difficult than the countries we have discussed to replace its textile exports with those from its machinery and electrical equipment industry, although in recent years considerable progress has actually been made. According to customs statistics, in 1985 the export of machinery and electrical equipment came to 1.68 billion U.S. dollars, accounting for only 6.1 percent of total exports. From January to October 1990, customs statistics showed that machinery and electrical equipment exports had already reached 8.46 billion U.S. dollars, an increase of 32.8 percent compared with the same period in 1989. It is estimated that for the entire year they will exceed 10 billion U.S. dollars and account for roughly 18 percent of the total amount of exports nationwide, occupying second place behind textiles and clothing exports. The rate of growth in machinery and electrical equipment exports not only greatly exceeds that of textiles and clothing, it also exceeds the average rate of growth for the entire country. This shows that the optimization of China's export mix is in the process of speeding up.

According to a report from the Ministry of Machine Building and Electronics, the main reason for the relatively high growth in 1990 exports of machinery and electrical equipment—aside from preferential state policies—was the high-level of enthusiasm that the enterprises evinced for exports. Faced with a sluggish domestic market, enterprises one after another turned their eyes to the international market. This promoted conversion to higher-level products and technologies, with the emergence of a large group of wealthy foreign-exchange earning businesses. At present, only departments and organizations affiliated with the Ministry of Machine Building and Electronics have 50 enterprises which earn more than 10 million U.S. dollars a year in foreign exchange. The Xiamen Huaqiao Electronics Company earns more than 65 million in foreign exchange each year; the Shenzhen Saige Group Company earns more than 55 million, and the Shenzhen Huaqiang and Kangjia electronics companies earn more than 53 and 52 million, respectively.

#### **Quality and Order Still Need Improvement**

The decline in export quality and confusion that exists with respect to exports are two things which have rather strongly impressed foreign business people in recent years. With the advent of improvement and rectification

and certain emergency measures, the problems have improved somewhat. However, the situation is still not completely satisfactory. Various quarters still should be working in concert to strengthen macroeconomic management to thereby seek even faster results. This can also be considered another of the features of foreign trade in 1990.

For a long time, China's cotton gray has been referred to by Japanese customers as a "multipurpose" gray and "24-karat gold." It can be used both for dying and to be dyed. However, in recent years, the quality of China's gray has seriously declined. During the first seven months of 1990, the number of claims formally submitted by customers came to 23. The reason for this is because the presently existing state standards lag behind international standards and because equipment is outmoded and processes are irrational, and it is also because the management of foreign trade is chaotic. At an expanded conference in October 1990, departments concerned promulgated the "Method for Strengthening Coordinated Management of the Export of the Two Yarns and Two Cloths," which stipulates that compensation be paid and exchanges made for products that are not up to standards.

The chaotic management of carpet exports has led to huge losses to the state in foreign exchange. China's export of carpets in recent years has seen rapid development—from 2 million square meters in the early eighties to 6.28 million square meters in 1989. In 1989, carpets, which were managed under licensing as category II products and through the uniform coordination of a specialized head office, were changed to category III products with flexible management. Afterward, management units suddenly increased, export channels became chaotic, competitive underselling intensified, and production developed unchecked, leading to too rapid growth and a decline in quality. This caused large drops in the unit prices of carpet exports. Some people estimate that losses in 1989 came to 200 million U.S. dollars. Others say they were 140 million. In 1990, the Ministry of Foreign Economic Relations and Trade put carpets back into category II. With respect to strengthening macroeconomic control from the standpoint of planned management, the situation has already taken a turn for the better.

In recent years, the chaotic conditions that existed in the export of medicine and medical products have been extremely typical, engendering for a time more than 500 management units. Multiple management abroad has led to competitive underselling. Statistics show that, while the nationwide export of medicine and medical products in 1988 increased 108 percent compared with 1982, export prices dropped on an average of one third. In addition, there was also a small amount of bogus and

inferior medicines that entered the international market. The departments concerned have been taking severe corrective measures in this regard, and the situation is now improving.

The contract system reform of foreign trade has been in effect for three years. While it has inspired enthusiasm for developing various aspects of foreign trade exports, at the same time, because of the loss of macroeconomic managerial control, it has led to some decline in the quality of export products and chaotic administration. Emergency measures have now been put into effect. However, it will take a period of time before results will be seen. Essentially, improvement of export quality and rectification of management still requires deepening of foreign trade system reform and repeatedly adjusting and perfecting existing policies in order to conform to international market changes.

### Sino-Soviet Trade Background, Potential

91CE0312A Beijing SHIJIE JINGJI [WORLD ECONOMY] in Chinese No 12, 10 Dec 90 pp 42-48

[Article by Fan Xinyu (5400 2450 1342), Chinese Academy of Social Sciences' Institute of World Economics and Politics: "Sino-Soviet Trade Awaits Further Development"]

[Text] **Summary** Sino-Soviet trade has made a steady comeback since the 1980's, but trade between the two countries as a percentage of the total trade of the two countries remains very small at only about 3 percent. Sino-Soviet trade awaits further development. This article demonstrates the potential of Sino-Soviet trade from both a historical and a practical angle; analyzes the obstacles and the problems that Sino-Soviet trade has encountered and will encounter; and explores many avenues for developing Sino-Soviet trade.

With the easing of relations between China and the USSR since the 1980's, trade between the two countries has improved. Bilateral trade rose from \$490 million in 1980 to \$2.9 billion in 1988. Meetings at the highest level during 1989 also infused Sino-Soviet trade with new vitality, the trade figure for that year rising to \$3.996 billion. The amount of trade agreed upon between the Chinese and Soviet governments for 1990 is 5.23 billion Swiss francs, up 8 percent from 1989. The USSR is now China's fifth largest trading partner after the Hong Kong-Macao territory, Japan, the United States, and West Germany.

We must realize, however, that trade between China and the USSR is not large in terms of absolute figures, amounting to only 3.6 percent of China's total foreign trade. A percentage differential gap exists in comparison with China's first several trading partners. (See Table 1).

**Table 1. Amount of Trade Between China and Its Five Major Trading Partners in 1989 and Its Percentage of Total Trade**

Ranking	Imports-Exports		Exports		Imports	
	\$1 Billion	Percent of Total Imports-Exports	1\$ Billion	Percent of Total Exports	\$1 Billion	Percent of Total Imports
Hong Kong-Macao Territory	35.073	31.4	22.385	42.6	12.688	21.5
Japan	18.89	16.9	8.352	15.9	10.531	17.8
United States	12.254	11.0	4.391	8.4	7.863	13.3
West Germany	4.987	4.5	1.608	3.1	3.379	5.7
USSR	3.996	3.6	1.849	3.5	2.147	3.6

Source of Data: International Trade Institute, Ministry of Foreign Economic Relations and Trade: GUOJI MAOYI [INTERNATIONAL TRADE], 1990 Issue 5

The volume of trade with socialist countries and Council of Mutual Economic Assistance (CMEA) countries holds a decisive position in Soviet trade accounting for 61.7 percent of the total, but trade with China amounts to only 3.5 percent (See Table 2)

**Table 2. USSR 1989 Trade Distribution**

Distribution by Country	Trade Volume (1 Billion Rubles)	Percent of Total Import-Export Trade
With Socialist Countries	86.9	61.7
With CMEA Countries	78.6	55.8
China	4.9	3.5
With Developed Countries	36.9	26.2
With Developing Countries	17.1	12.1
Grand Total	140.9 (or about \$227.25 billion at the official rate of exchange)	100

Source of Data: International Trade Institute, Ministry of Foreign Economic Relations and Trade: GUOJI MAOYI [INTERNATIONAL TRADE] 1990 Issue 16.

### 1. Sino-Soviet Trade Potential

China and the USSR have a long history of friendship, and their trade relations are also of longstanding and well established. The enormous potential that trade between the two countries holds is manifested in numerous regards.

#### (1) Analysis From the Historical Standpoint

A backward look shows the 1950's to have been a period of flourishing trade between China and the USSR. In 1950, Sino-Soviet trade accounted for 29.8 percent of China's total trade for the year, and in 1959 that rose to 47.9 percent for an all time high. Because of the deterioration of Sino-Soviet relations during the 1960's and 1970's, trade between the two countries went through unexpected twists and turns, trade sometimes coming to a virtual standstill. During the 1980's Sino-Soviet trade

began to rally, but in terms of China's total volume of trade, the upturn in trade between the two countries was modest. Currently, it is still far from what it was during the best period. (See Table 3).

**Table 3. Historical Retrospective on Sino-Soviet Trade**

Year	Volume of Sino-Soviet Trade (\$)	Percentage of China's Total Foreign Trade
1950	338 Million	29.8
1959	2.097 Billion	47.9
1960	1.664 Billion	43.7
1970	47 Million	1.0
1980	492 Million	1.3
1985	1.881 Billion	3.1
1989	3.996 Billion	3.6

Source of Data: *China Foreign Economic Relations and Trade Yearbook*.

Table 3 shows substantial room for improvement in current Sino-Soviet trade in comparison with the all-time high. Of course, times have changed. Today, when the trend toward economic internationalization is becoming increasingly pronounced, both China and the USSR have established wide ranging trade relations not only with socialist countries, but with developed Western countries and developing countries as well. To a certain extent, this has diffused the two countries' attention to the development of trade with each other; nevertheless, we have yet to realize the numerous advantageous factors for advancing the rapid development of Sino-Soviet trade that were not present heretofore. The most important favorable factor is that since the Third Plenary Session of the 11th Party Central Committee and the 27th CPSU [Communist Party of the Soviet Union] Congress, both countries have reformed their rigid economic systems and have instituted policies of opening to the outside world. China's reform of its foreign trade system has enabled all sectors and local governments, as well as numerous enterprises and organizations to enjoy the right to engage in foreign trade. Since August 1986, the USSR has also expanded the right to engage in foreign trade of various ministries,

departments in charge, partnership companies, enterprises, and organizations, the two countries thereby changing their former undiversified monopoly dealings into diversified and decentralized dealings. The area of reactions between the two countries has expanded, the number of their trading partners has increased, and greater flexibility and independence have appeared in cooperation. Reform of the Sino-Soviet trading system is currently gradually deepening and improving. The goals of reform are substantially identical for both countries, and the pace of reform is generally the same. This lays a solid foundation for tapping the potential of Sino-Soviet trade.

With the deepening of Chinese and Soviet economic reform, both parties realize that the two countries occupy an inferior competitive position in world markets: In 1988, the USSR's export trade amounted to 5.23 percent of total world trade, and China's accounted for only 1.68 percent. The export trade of the two countries as a percentage of total world trade showed little increase over the early 1970's. (See Table 4)

**Table 4. China and USSR Export Trade As a Percentage of Total World Trade**

Year	China	USSR
1970	0.72	4.08
1975	0.83	3.80
1980	0.92	2.83
1981	1.12	4.01
1982	1.22	4.71
1983	1.23	5.06
1984	1.37	4.82
1985	1.42	4.53
1986	1.45	4.57
1987	1.58	4.34
1988	1.68	5.23

Source of Data: United Nations "Monthly Statistical Report," *USSR National Economic Statistics Yearbook*, and *China Statistical Yearbook* quoted in SHIJIE JINGJI [WORLD ECONOMY] 1989 Issue 4.

Even while facing enormous pressures in world markets, China's and the USSR's export trade also holds very great potential. The percentage of the two country's exports as a percentage of national income in the 1980's showed substantial increase over the 1970's, reaching 10.4 percent in 1988. The USSR's exports rose from 3.9 percent in 1970 to 10.4 percent in 1988. During the same period, China's exports rose from 2.9 to 15.0 percent. (See Table 5). Even though export trade volume between China and the USSR is currently low relative to national income, looked at in terms of rise in the speed of increase in the percentage for the two countries from the 1970's to the 1980's, the 1990's will show a substantial potential for increase. In the process of tapping this potential, China and the USSR will be bound to increase contacts and cooperation to advance development of bilateral trade.

**Table 5. China's and the USSR's Export Trade As a Percentage of National Income**

Year	China	USSR
1970	3.9	
1975	5.7	7.3
1980	7.4	9.6
1981	9.3	10.8
1982	9.7	10.8
1983	9.3	10.9
1984	10.3	11.4
1985	11.5	11.9
1986	13.0	10.6
1987	15.8	10.1
1988	15.0	10.4

Source of Data: *USSR National Economic Statistics Yearbook*, *China Statistical Yearbook*, quoted in SHIJIE JINGJI 1990 Issue 4.

## (2) Analysis in Terms of Complementary Nature

Sino-Soviet trade is complementary in many ways. It is complementary in terms of the industrial structure, the make-up of resources, and the technological structure, etc. Emphasis here is on analysis of the potential that the complementary nature of the commodity mix provides.

The USSR is a large country with a land area of 22.4 million square kilometers and a population of 280 million. At the present time, reform is bogged down in a period of painful readjustment. Because of inadequate supply, there is a serious shortage of consumer goods in markets. In 1989, the amount of currency available for which commodities could not be supplied reached between 70 and 80 million rubles. In order to accelerate production of foodstuffs and consumer goods needed in daily life, the government put forward plans for increasing effective supply. These plans call for a 66 billion ruble increase in consumer goods during 1991 (the increase during the previous 5-year plan was 170 rubles [sic] [17 billion rubles is probably intended]). Clearly the plan increase is substantial. Nevertheless, scholarly analysis shows minuscule achievements resulting from agricultural reform. Extremely antiquated light industrial equipment also makes for substantial difficulties in the realization of this plan. This shows that the USSR's need to import large quantities of light industrial and textile products, foodstuffs, and industrial goods used in daily life will not change within a short period of time.

From China's standpoint, the foregoing commodities are the very ones in which we possess an export advantage. Furthermore, every since 1989 a marked slump has taken place in China's markets, and even following restructuring the market remained flat and lacking in vigor in 1990 with insufficient demand. Statistics in "Status of Implementation of China's 1990 National Economic and Social Development Plan" show varying degrees of decline between January and July in sales of

28 major commodities for which retail business statistics are kept, except for pork, aquatic products, and color television sets, sales of which were up over 1989. In particular, retail sales of consumer goods at the county level and below were down 6 percent from 1989.<sup>(1)</sup>

In Soviet markets, supply cannot meet demand; in China's markets, supply is greater than demand. If the complementary nature of markets in the two countries were used to advantage, shortages in Soviet markets could be eased, and a rally could be stimulated in China's markets as well. However, Chinese consumer goods account for a very small portion of the USSR's imports. Take 1988 as an example, when the USSR imported 20.29 billion rubles worth of light industrial and textile products, foodstuffs, and industrial products used in daily life amounting to 31.2 percent of total imports. However, its imports from China of such products amounted to only 4.9 percent of total imports. This shows that a substantial potential still exists from USSR markets to absorb Chinese commodities.

Conversely, China has an extreme need for Soviet raw and processed materials and machinery. China's annual import of such products from world markets accounts for 80.1 percent of its total import trade. Most are imported from Western markets, however, but not much from the USSR. Actually, the overall quality of Soviet machinery is not as good as that of Western nations, but it is more suited to the current level of China's economic development. Now, and for a considerable time to come, China's basic task is and will be the technological improvement of traditional industries; thus, use of Soviet mechanical equipment for the technological improvement and transformation of old factories means low costs and quite good results. On the basis of the 1990 trade agreement between the Chinese and USSR governments, more than half of the goods that the USSR is to provide China is machinery; however, since the total volume of trade between China and the USSR is not large, China's intake of these Soviet products is just a very small portion of the country's total trade.

In addition, the potential is very great for products of a complementary nature in the Sino-Soviet border region. China and the USSR share a more than 7,300 kilometer-long border. On the Chinese side of this border lie Heilongjiang, Jilin, Inner Mongolia, and Xinjiang. On the Soviet side lie the Far East, Siberia, and the Altai border region made up of five union republics and the RSFSR [Russian Soviet Federative Socialist Republic], and the border areas of Kemerovskaya Oblast and Krasnovodsk. In terms of the economic structure of the two countries, the Chinese side of the border holds an advantage in production of the means of subsistence, the area having a largely "light economic structure." On the Soviet side of the border, production of the means of production is fairly well advanced, the area having a "heavy economic structure." Thus, the two areas are markedly complementary in terms of commodities. In recent years, exports from the Chinese side have been mostly textiles, articles used in daily life, and foodstuffs,

while the Soviet side's exports have been principally chemical fertilizer, cement, processed steel, and timber. This complementary relationship currently awaits further strengthening.

(3) Analysis in Terms of Mutual Investment. On 8 June 1988, the governments of China and the USSR signed the "Agreement on the Establishment of Joint Venture Enterprises and Principles For their Operation" to run for a period of 10 years. This agreement provides that "both signatories are to import skills, technology, and managerial experience to advance development and use of natural resources in both countries in order to satisfy both countries needs for certain industrial products and raw materials. Corporations, partnership companies, enterprises, and other economic organizations in both countries are to establish joint enterprises in the territory of both countries." This agreement sets the stage for further tapping of trade cooperation potential in both countries.

Since signing of the agreement on Chinese and Soviet establishment of joint venture enterprises, a fine beginning has been made in mutual investment by both parties. As of the end of 1989, the two countries had concluded contracts for 14 joint venture business projects, and contracts for 95 economic cooperation projects for a total investment of \$240 million. This includes the joint operation in Moscow of a Beijing restaurant, the operation in Khabarovsk Kray of a Harbin restaurant, the building of a color processing photographic studio in Boluolaniqinei [phonetic] Town, a hot water flask factory in Uzbekistan, etc. In addition, the local governments and border regions of both countries began cooperative investment in the processing of imported raw materials, processing according to buyers' samples, assembly of imported materials, and compensation trade.

Nevertheless, the amount and scope of mutual investment between China and the USSR is still very small. It is at the stage of just getting off the ground, so potential is very great.

On the Soviet side, as of 1 July 1990 a total of 1,830 joint venture enterprises had been registered for a total investment of approximately \$2 billion, more than 80 percent of which was for joint ventures with capitalist countries, Sino-Soviet joint ventures amounting to next to nothing. In terms of their make-up, virtually all Sino-Soviet joint ventures were enterprises of a service nature. Joint ventures in the production realm await further development.

For the Chinese side, the same was true. Since China's implementation of a policy of reform and opening to the outside world in 1978, the use of foreign capital has produced outstanding results with the operation of 18,979 joint venture enterprises in cooperation with foreign traders capitalized at \$31.219 billion. Soviet

building of joint venture enterprises in China, however, is currently substantially at the feasibility authentication stage.

Both China and the USSR are endeavoring to improve the investment climate in order to attract more foreign investment. China's "Government Work Report of the Seventh NPC [National People's Congress]," which was published on 20 March 1990 emphasized: "We encourage the operation of more Sino-foreign joint ventures and cooperatively operated enterprises that carry out the technological transformation of existing enterprises in order to give impetus to technical progress of China's traditional industries and to upgrade and update products." The USSR is in process of gradually liberalizing policies regarding foreign economic cooperation. For example, it is levying minimum customs duties or exempting from customs duties the imported raw materials that joint venture enterprises use in production, and it has instituted more favorable policies toward joint venture enterprises established in the Far East, etc.

## 2. Obstacles to Sino-Soviet Trade

Sino-Soviet trade truly holds enormous potential, but practice demonstrates the existence of numerous obstacles to exploitation of this potential to expand the trade of both countries

### (1) Limited nature of barter trade on account.

Barter trade on account between China and the USSR was formerly regarded as convenient and beneficial for both foreign exchange-short countries. However, with the development of trade relations between the two countries, the increase in departments and enterprises having authority to engage in foreign capital transactions, as well as the increase in bilateral cooperation channels, conflicts in barter trade on account have become increasingly sharp.

1. Limits expansion of the scale of foreign trade. The barter trade on account system requires that both parties maintain balance each year in the volume of their imports and exports. The amount of each side's exports is dependent on the amount of imports from the other side. It is not decided by either the trade needs or the real production capacity of either party. The export of labor services is also limited by various factors including compensation in kind.

2. Tilt in Trade Interest Toward Hard Currency Countries. As a result of the trend toward economic internationalization, both China and the USSR have actively developed all-points economic diplomacy. Specifically, they have enhanced their trade contacts with western countries. Economic agencies and enterprises in both China and the USSR do all possible to export strongly competitive products to countries from which they can obtain hard currency, products that cannot compete very well and that are of not very high quality being sold to countries with whom they do barter trade on account.

3. Hurts Widening of Cooperation Between the Two Countries. Both China and the Soviet Union are aware of the need for more than an exchange of commodities, and that there should be an expansion of the area of cooperation, economic relations being developed in various forms and through various channels. In recent years, both countries have made some efforts in this regard, but the inability to convert the currencies of both countries freely has been a perplexing problem in every case. In July 1985, the governments of both countries reached agreement on construction and transformation problems for more than 50 major projects, but because of numerous final settlement difficulties encountered in practice, the rate at which agreements have been honored is very low.

### (2) Stodgy Competition Mentality.

One of the major features of the world economy during the 1990's is increasingly intense competition. Chinese and Soviet markets are not the same as formerly. Developed western nations, and newly industrializing countries and territories are all fighting to obtain a larger market share. One might say that we have a thicket of adversaries and we are being pressured. Moreover, in the face of intense international competition, Sino-Soviet trade seems stodgy. It reacts slowly and information does not circulate readily. Without doubt, this has become a serious impediment in Sino-Soviet trade. This impediment was particularly prominent in the Harbin "1990 Trade Talks" held not long ago, and in the Moscow "1990 Chinese Trade Fair."

**1. Lack of Market Feasibility Studies Because of the Poor Sense of Market Competition.** Many units that participated in the Moscow Trade Fair arrived with high expectations, but failure to make market surveys meant no demand for their products, so they had to return home in disappointment. An example was the kitchen equipment that the Guangzhou Metallurgy and Machinery Plant exhibited for sale, the cost of which was more than \$1,700 per set, but the Soviet customers were willing to pay a maximum of only 200 rubles. There were two reasons: first, kitchen equipment is very commonly available throughout the USSR; there is no shortage, and it is also a high quality consumer item. Second, the USSR has plentiful supplies of wooden wares and stainless steel wares at a cheap price. For these reasons, there is no market for the sale of these wares in the USSR.

**2. Lack of Lateral Contacts Among Individual Units Because of the Poor Sense of Overall Competition.** Both information agencies and liaison organs are lacking for Sino-Soviet trade, each unit acting independently. Consequently, whenever the kind of goods that one party proposes to exchange does not meet the requirements of the other party, the opportunity to conclude a deal is lost. At the Moscow Trade Fair, the USSR wanted to trade soda ash for the products of a Guangzhou factory, but the Guangzhou factory did not need soda ash. As to whether there was a shortage of soda ash anywhere in the country, the Guangzhou was also unaware. In another

example, the USSR wanted to trade woodworking machinery and earth moving machinery for door locks and other items from the Chinese Hardware and Minerals Corporation. However, since the latter did not know whether woodworking machines and earth moving machinery were needed in China, it did not dare conclude a deal hastily.

**3. Lack of Price Advantage Because of Poor Sense of Commodity Competition.** At the Moscow Trade Fair, the quality of the television sets, the refrigerators, the vacuum cleaners, and the fur products that China sent for display was quite good, and the styles were new and original. However, since they lacked price advantage, they received a chilly reception. Even though the factory lowered prices to the minimum, because of the difference from local market prices, it was virtually impossible to reverse the slack sales situation.

### (3) Monotony of Kinds of Trade Goods

We mentioned above the very complementary nature of Sino-Soviet trade; however, for various reasons including the lack of information flow, the complimentary nature of some commodities is not realized. As a result, the following situation frequently occurs in Sino-Soviet trade: The USSR is unable to supply the kinds of goods that the Chinese want to buy from the USSR, or the kinds of things that the USSR is able to provide, the Chinese do not need. The same thing is true in reverse.

Since the kinds of goods exchanged are fairly mundane, without any studies of new problems and a widening of new varieties, the development of Sino-Soviet trade is frequently stymied. The make-up of commodities on which deals were concluded at the Harbin talks and the Moscow Trade Fair shows that the goods that the Chinese want in return consist mostly of timber, cement, chemical fertilizer, and processed steel, but all these goods involve requests for permits. Clearly, there has been no quick response from either the Chinese or Soviet side about the Soviet government's strict permit system instituted for raw and processed materials since 1 April 1989. The effects of the outmoded thinking of the past and taking the same old road cannot but cause an increasing narrowing of Sino-Soviet trade. After returning home, many Soviet companies that attended the Harbin trade talks and that signed agreements with China rushed off to the USSR State Planning Commission to request permits. The Soviet side has already notified China's embassy that the USSR State Planning Commission is not prepared to issue so many permits, and reminded us that units concerned should not mindlessly supply merchandise. Therefore, just how many of the 1.8 billion ruble deals concluded at the Harbin talks can be honored has become an unknown. Reportedly the interest in trade of both the Chinese and the Soviet parties has been dampened.

**3. Development of Avenues for Sino-Soviet Trade** How to eliminate impediments to the development of Sino-Soviet trade, doing all possible to tap the potential for Sino-Soviet trade is a matter of general concern to academicians and practical workers alike. Currently both countries are exploring mostly the following several problems:

(1) Effecting a change in the final settlement method to stabilize the development of trade.

Sino-Soviet trade is conducted through three main channels. The main channel is government-to-government trade, which accounts for approximately 84 percent of total trade. Supplementary channels include both local government trade and cross border trade, which account for approximately 16 percent of all trade. Beginning in 1991, Sino-Soviet government-to-government trade will change from on account trade to spot exchange trade. Once the old obstacles have been removed, new problems may ensue. Since both China and the Soviet Union lack spot exchange, for a short period of time government-to-government trade may develop slowly; however, over the long run, a fundamental change will take place in Sino-Soviet trade with a new boom.

In order to stabilize the development of trade and avoid sharp ups and down occasioned by a change in the settlement system, various attendant actions may be taken.

First, in the process of converting from on account trade to spot exchange trade, flexible and varied trade settlement methods may be instituted. Simultaneous with the institution of spot exchange trade, some on account trade and compensatory trade may be permitted. For products geared to the needs of both parties, in particular, it is not necessary to insist on nothing but spot exchange deals; traditional final settlement methods can continue to play a role. This will help stabilize trade for both parties.

Second in the process of changing from on account trade to spot exchange trade, the possibility of a direct exchange between the renminbi and the ruble may be further explored. Pertinent data show that some enterprises and organizations are already trying out a direct pegging of the currency of both countries in local government trade and cross-border trade between both countries. Some scholars believe that the setting as soon as possible of an exchange rate in accordance with purchasing power average value, deducting the effect of currency inflation, and institution of a rate of exchange that is consistent with the actual value of the renminbi and the ruble is a means of easing the shock to advance Sino-Soviet trade as well as to solve payments problems in other economic cooperation.<sup>(2)</sup>

Third, in the process of changing from on-account trade to spot exchange trade, full advantage should be taken of local government and cross-border trade as a means of making up for losses that may occur should there be a decline in the volume of government-to-government

trade. Even though local government and cross border trade is not a very large percentage of Sino-Soviet trade, it has been developing very rapidly in recent years. In 1983, when local government and cross-border trade began to revive, trade volume amounted to only 20 million Swiss francs. With the signing of the agreement in 1988, volume reached more than 1 billion Swiss francs, showing the huge potential of local government and cross-border trade. Local government and cross border trade must also quickly develop into various forms of trade cooperation, including labor service cooperation, project contracting, the opening up of tourist projects, etc. In addition, insofar as possible, local government and border trade should try out some spot exchange settlement methods in preparation for a complete transition to spot exchange trade.

(2) Expansion of kinds of goods traded for a greater competitive sense

There are many aspects of the make up of China's and the Soviet Union's exports and imports requiring readjustment and improvement, particularly since the USSR's institution of permit controls on raw and processed materials, in order to use economic means to limit strictly the export of raw and processed materials. In the retention of foreign exchange, for example, a retention of between 0.5 and 2 percent for the export of raw and processed materials, while permitting 15 percent for electromechanical products, and 30 percent for spare parts is required. Both parties should react very quickly to this. China has to change its trade strategy of importing too large a percentage of raw and processed materials from the USSR, suitably increasing imports of the machinery that we need, and paying more attention to things not limited by permits, as well as to other products that China needs. The Soviet side is facing problems in increasing the kinds of goods exchanged and developing more sources of supply.

A broad understanding of the meaning of a more competitive sense is needed. It includes both competition for markets, as well as competition in seizing opportunities. Since Chinese and Soviet reform and opening to the outside world, competitive sense has improved; however, the sense of competition is fairly fragile because of the effect of rigid system that endured for so long and the shackles of an autarkic frame of mind. Thus, feasibility studies of markets are insufficient. Once trade activity suffer setbacks, we fail to realize that this is a failure to compete in the international marketplace, nor are we adept at adjusting strategy at once to force our way into international markets. In this respect we certainly lag behind developed western countries. For example, after the United States found out that color film could make no inroads in the USSR, it immediately entered into a joint venture with the USSR to build the Fuda [4395 6671] refractory materials plant, and took the initiative to establish photographic processing centers in four cities of the USSR, employing sales and service as a means of opening the USSR market.

In addition, the Chinese market shows that because opening to the outside world began earlier than in the USSR, and because the pace was somewhat faster, China's trading partners increased rapidly, with competition among the partners for the China market becoming more and more intense. Unless the USSR diligently studies remedies to make the most of advantages, it will find it very difficult to get a firm foothold in the China market. The Soviet market shows that with the deepening of *perestroika*, the severe shortage of consumer goods will gradually ease; thus, now is the best time for us to ship consumer goods.

(3) Emphasis on development of the Siberian and Far East areas, correspondingly readjusting external development strategy.

As the trend toward the formation of world economic blocs increases, economic cooperation in the Asia and Pacific region is becoming increasingly close; however, the wide gap between poverty and wealth in this region, differences in social systems in each country, and other reasons renders difficult the formation of entities within a short period of time. Currently academicians believe that the establishment in this region of a "northeast Asia economic sphere" that is relatively narrow in scope is truly feasible. Geographically speaking, this northeast Asia economic sphere includes the Siberian and Far East regions of the USSR, China's northeast and Inner Mongolia, the Korean peninsula, Japan, and the Mongolian People's Republic. However, because of the effect of its geographical location and "difficulties" in international politics, for Sino-Soviet trade to take the lead in this region holds real significance.

The Siberian and Far East regions of the USSR cover a 12.76 million square kilometer area, which is 57 percent of the USSR. Development of this area holds not only economic significance for the USSR, but military and political significance as well. Thus, USSR investment in this region will reach 210 billion rubles. The "USSR Economic Development Program" explicitly sets development of the Far East region as one of the most important goals of the national economic development plan for the USSR before 2000. This provides opportunity for the tapping of Sino-Soviet trade potential in this region.

A look at objective factors shows a potential for bilateral cooperation in the following several regards:

1. This region possesses rich natural resources. It accounts for more than half of the petroleum output of the entire USSR, more than one third of its natural gas output, and one-third of its coal and timber. It is a huge energy and raw and processed materials market. China's per capita amount of natural resources is very low. Natural resources are rather scarce. Nevertheless, the



main source of imported energy, and of raw and processed materials is still not the USSR.

2. The region has a strong heavy industry base, but its agriculture and light industry are backward. The shortage of consumer goods is particularly serious. Even though "Siberia and Far East Development Plans by the Year 2000" call for an increased investment in agriculture, and placing the readjustment of the industrial structure in an important position, conflicts will be difficult to solve within a short period of time. We can use various means to export consumer goods to this region.

3. The region is labor-short, and with the development of this region, the shortage will get worse. China, however, has plentiful labor, and the price of its labor is cheap. There is a great potential for the export of labor, and it is competitive with other countries in the region.

Chinese scholars note that advancing rapid development of Sino-Soviet trade in that region will require both China and the USSR to make corresponding policy readjustments. Simultaneous with China's continued tilt toward an externally oriented economy that benefits development of coastal regions, it should also pay attention to the all points and multiple border character of its opening to the outside world. It should diligently study externally oriented development strategies for Heilongjiang, Jilin, Inner Mongolia, and Xinjiang to hasten the development of these regions in order to meet needs for those areas development of Sino-Soviet trade, as well as to prepare for the formation of a northeast Asia economic sphere.

The year 1991 will be a year of fundamental changes in the form of Sino-Soviet trade. Given the situation of both parties facing a shortage of foreign exchange, and certain limitations on barter trade, Sino-Soviet trade may enter a period of extremely great difficulty. How to pursue development in the midst of difficulties will be an important topic facing both China and the USSR.

#### Footnotes

(1) "15th Meeting of the 7th NPC Standing Committee Report on Implementation of the 1990 Economic and Social Development Plan, RENMIN RIBAO 4 Sept 1990.

(2) "Sino-Soviet Trade Cooperation Workshop Papers, "International Trade Institute, Ministry of Foreign Economic Relations and Trade, and International Economic Cooperation Institute, Ministry of Foreign Economic Relations and Trade. Published 1990 pp 17, 20.

(3) For details, see Lu Nanquan [7120 0589 3123]: "Several Problems Meriting Study in the Further Development of Sino-Soviet Trade Relations," JINGJIXUE DONGTAI [TRENDS IN ECONOMICS] 1990 Issue 5.

#### Strategies Outlined To Expand Clothing Exports

91CE0424B Beijing GUOJI SHANGBAO in Chinese  
9 Feb 91 p 7

[By Zhu Debing (2612 1795 3521)]

#### [Excerpt] [passage omitted] 2. Basic Strategy for Market Development

As mentioned before, the world clothing markets are mainly concentrated in the developed countries of Western Europe, in the United States, and in Japan, whereas the suppliers of export clothing are mainly the developing countries and regions of Asia. In light of this basic structure, China's clothing exports remain focused on the developed countries, that is to say, the developed countries still constitute its principle market.

The U.S. market: In the last 10 years, the fastest growth in the clothing trade has been between China and the United States. In terms of total clothing imports, China is still the United States' largest supplier country. The United States is the world's largest clothing importing country, yet it still imposes a strict quota system. Although China receives most-favored-nation treatment, there are trials and tribulations and vacillations back and forth. Moreover, the generalized system of preferences can be a pretext for stalling. This has made it extremely difficult for China to expand its clothing exports to the United States. However, the consumption level of the U.S. market is high, there is extensive demand, what is worn is casual, and there is a certain reliance on what is made in China. This makes it possible for greater expansion. The U.S. clothing market changes extremely fast and does not inordinately seek out name brands. (It has now gone from a preference for superior quality name brands to giving equal stress to cheaper ones of intermediate and lower quality.) We have to do a good job of collecting information about the U.S. market, focus on its peculiarities, improve the grade of some clothing, and increase and add to its value. At the same time, we should develop nonquota clothing and increase our export of it. For example, the United States still has not imposed quotas on silk clothing. If quotas are imposed later on, China can then be entitled to an appropriate share. The export of linen and linen-cotton clothing to the United States did not used to be subject to quota restrictions. We took advantage of the opportunity to develop this type of clothing. When quotas were imposed, we obtained an appropriate quota amount.

The European Common Market: From a monetary standpoint, the importation of clothing by the European Common Market stands first in the world. In 1988, it came to \$45.5 billion. However, most of the trade is between various countries of the European Common Market itself. Therefore, in reality, the European Common Market is still in second place to the United States in clothing imports. The levels of personal consumption differ in each of the European Common Market's 12 countries, and they strictly impose quota controls. Increasing exports to them is fairly difficult. Even

though in 1992, a single European Common Market is being established and communication between the countries will be unimpeded, there will still be strict restrictive barriers outside the Common Market. However, we can develop along two lines. First, it would be impossible to have a better opportunity for trade in Germany than now exists. West Germany accounts for approximately 51 percent of China's clothing exports to the Common Market. With the two Germanies united, the market is even larger. A popular economic saying has it that "Whoever secures Germany can secure Europe." Second, where there are ports with the proper facilities and capacities, certain countries within the European Common Market are selectively investing in the operation of clothing factories to take advantage of the 1992 single market to expand their clothing exports in the Common Market.

The Japanese market: Japan is an important market for our clothing exports. In monetary terms, it is second only to the United States. Japan is the only developed country which does not impose clothing quotas. At present, in addition to South Korea and Taiwan desperately trying to sustain their clothing markets in Japan, ASEAN countries, plus India and Pakistan, are desperately trying to get their foot in the door. This is making competition for the Japanese all the more intense. China now exports a complete variety of clothing to Japan. In 1989, we accounted for 34.3 percent of Japan's total volume of clothing imports and had become its main clothing supplier country. However, the grade of most of the clothing is intermediate and low. Because Japan does not impose quotas, there is a throng of those entering the market. However, Japan uses strict quality requirements to weed out what is inferior, demanding superior quality, superior service, and superior price. It is strict: almost to the point of nitpicking. After many years of hard work, we are basically familiar with the Japanese market and are meeting its requirements. Readjustments in the South Korean and Taiwanese industrial structures have brought increased value to the Korean won and Taiwan dollar. Their clothing exports to Japan have, as a result, gone into a slide. ASEAN countries, plus India and Pakistan, are also finding it difficult to assume large-scale production. In addition, the rise in the value of the yen makes it even more advantageous for us to export to Japan. Thus, China commands a dominant position with respect to clothing exports to Japan. The prospects are good.

## ECONOMIC ZONES

**Shenzhen's Use of State-Owned Assets Evaluated**  
*91CE0302A Chongqing TIGAI XINXI [SYSTEM  
REFORM NEWS] in Chinese No 23, 5 Dec 90 pp 3-5*

[Article by Shenzhen Investment Management Company, Tang Jian (0781 0256), editor: "State-Owned

Asset Management and Transfer of Property Rights: An Overview of Shenzhen's Management of State-Owned Assets"]

[Text] With the thoroughgoing reform and opening up of the special zone, state-owned enterprises in Shenzhen have increased in vitality and vigor, the government's direct control of enterprises has gradually lessened, and restraint mechanisms on enterprises come mainly from the owners. Various government trade offices, however, have been disbanded and some responsible departments also are unable to exert strict controls over the rights of ownership to enterprises. In this situation, enterprises actually have a tendency to strengthen their management authority and weaken their rights of ownership. Some state-owned enterprises seek short-term profits and apparent profits, and occasional enterprises experience large losses and even serious investment shortfalls.

In order to investigate the state-owned asset management system and reform of the operating mechanism, Shenzhen established the municipal Investment Management Company in 1987 to represent the municipal government in managing state-owned assets of enterprises belonging to the city and exercise ownership functions.

### Two Years' of Work

#### A. Municipal Government Support and Policy Toward the Company

From the time that the company was formed, it was clear that it was on an equal footing with other municipal government commissions, offices, and bureaus, and state-owned asset management organs directly subordinate to municipal government leadership. At the same time, it was presided over by an authorized vice mayor and general manager responsible for the company, as well as a supervisory board. The municipal organization and personnel departments also made it clear that the Investment Management Company is responsible for managing and evaluating the asset agents assigned to enterprises by the government, chairmen of the boards of state-operated enterprises. The municipal government promulgated in succession the Shenzhen Municipal Provisional Regulations On the Operations of Boards of Directors of State-Operated Enterprises Subordinate to the City and the Shenzhen Municipal Provisional Regulations on the Operations of General Managers of State-Operated Enterprises Subordinate to the City, making it clear that the appointed chairman of the board should report to the Investment Management Company on the asset management aspect of operations and was responsible to the Investment Management Company. At the same time, it also promulgated the Shenzhen Municipal Provisional Regulations on the Operations of Investment Management Company Oversight Committees and the Shenzhen Municipal Provisional Regulations On the Operations of Investment Management Company General Managers, making it clear that the Investment

Management Company has the authority to make recommendations in the selection of asset agents and authority to examine and approve the appointment and removal of enterprise finance department heads. It assists the organization department and the personnel department in doing a good job of administering enterprise cadres and managers, and supervises the professional work and the management of enterprise cadres.

The municipal government gave the company five methods of managing assets: supervisory authority, authority to evaluate, administrative authority over asset agents, investment authority, and a part in examining and approving and directing reform of the enterprise system. Supervisory authority entails supervising and inspecting enterprises. Annual scheduled or unscheduled inspections of the financial affairs of enterprises all are jointly arranged by the finance bureau, the tax bureau, and the Investment Management Company. Routine financial reports and financial supervision of state-operated enterprises, checks of business permit renewals, and examining and approving enterprise asset appraisals all are the responsibilities of the Investment Management Company. The authority to evaluate involves the company's evaluating the state of the enterprises' business operations, the scope of their assets, and their performance and examining and approving the enterprises' classification and grade. To evaluate the state of enterprise management, the Investment Management Company issues an annual report to relevant departments and the enterprises on their fiscal operations for the year, which acts as incentive and impetus to the enterprises. Management authority over asset agents entails examining and evaluating the professional achievements of asset agents, principally boards of directors and chairmen of boards, as well as authorities in enterprise financial departments and [dispensing] certain types of rewards and punishments. Investment authority includes adjustments in the amount of money put in circulation and saved. Every year the profits submitted by enterprises are amassed at the company and the company on its own initiative distributes the funds received in accordance with the industrial policies and investment plans of relevant government departments. Through the end of last year, they invested a total of 247.7 million renminbi in over 100 projects. At the same time, they play a part in managing the transfer and annexation of enterprise property rights and, experimentally in management of enterprise stock and bond markets. Guiding reform of the enterprise system mainly entails taking part in the examination and approval of changes in the enterprise stock system, directing the evaluation of enterprise assets and confirming the results of evaluations, and formulating financial and asset goals for enterprise contracts.

**B. In Over Two Years the Company Has Taken Three Steps:**

The first is management of enterprise finances and receipt and submission of their profits. There are seven specific aspects.

1. Managing enterprise profits. In the first quarter of every year, we draw up and assign enterprise profit quotas, including actual profits and profits to be submitted, and at the same time take responsibility for collecting the profits submitted.

2. Verifying and consolidating enterprise financial reports. In addition to routine verification and consolidation of enterprise financial reports, we conduct regular investigations and analyses of the financial situation of enterprises, generally at mid-year or the end of the year.

3. Reappraise stocks and assets. Shenzhen has not conducted a thorough investigation and analysis of the assets, liabilities, and enterprise losses of all of the state-operated enterprises since it was established as a special zone. Since the company has been established, it has twice conducted investigations to become familiar with the assets of state-operated enterprises throughout the city, essentially clarifying the situation of state-operated enterprises.

4. Once a year we publish the principal financial indicators of top level companies subordinate to the city to honor the advanced enterprises and spur on the laggards and motivate enterprises to improve their business management.

5. Take part in reform of the enterprise accounting system. Reform of the enterprise accounting system is led by the city's finance bureau. The company mainly assists and takes responsibility for reform of state-operated enterprises' accounting reports. The object is to help enterprise accounts to reflect the actual situation of enterprise operations and profits and losses in enterprise assets in the present planned commodity economy environment.

6. Supervise enterprises. In the first place this entails regular financial inspections, and secondly it involves periodic checks for reissue of enterprise business permits and verification of their assets. Presently, we have checked over 800 enterprises at the second level and above throughout the city, before reissuing business permits.

7. Training enterprise financial personnel. We have conducted many training sessions for financial personnel from Sino-foreign joint venture enterprises and state-operated enterprises. The second step was to take part in enterprise investments and transfer of property rights:

In taking part in investments for enterprise expansion and reproduction, we have adhered to the principle of compensated investment. We have set the "four priorities" policy for investment direction. That is giving priority to export industry projects, giving priority to high science and technology and high performance projects, giving priority to energy and transportation projects, and giving priority to projects that will keep down market prices. Investment activity adheres to the principle of autonomous investment and compensated investment and, under the guidance of the municipal

industrial policy and in conjunction with plans of the planning bureau and the economic development bureau, helps to totally change Shenzhen's industrial structure.

The third step was to actively participate in reform.

1. The general management responsibility system under the guidance of trial state-operated enterprise boards of directors. Up to now, 18 group companies (corporations) in Shenzhen have established boards of directors. Boards of directors are the organizations that determine the strategic business policies for the enterprise and decide on major management issues of the enterprise and the selection of principal managers, so that the enterprise's decision-making processes can be made more scientific, the rate of policymaking mistakes can be lowered, and the decision-making authority somewhat enhanced. Practical proof is that enterprises that practice the general management responsibility system under the guidance of a board of directors very seldom have serious errors and the increase in their economic benefits is higher than the city average.

2. Experimental restructuring of the stock system of state-operated enterprises subordinate to the city. Shenzhen presently has five state-operated enterprises with a restructured stock system that sell stocks to the public, issuing a total of nearly 180 million yuan and earning the city approximately 500 million yuan. There are a further 15 enterprises that sell stock internally and another nine enterprises that are actively applying to experimentally restructure their stock system. Enterprises that practice a stock system increase benefits, including current benefits and the enterprise's reserve strength, placing them in a comparatively prominent position, and enterprises overcome problems of a short-term approach to a certain extent.

3. Taking part in the improvement and reform of the enterprise contract system. In improving the contract system, we mainly study how to change contracts that put profit first to contracts that put asset indicators first to motivate the enterprises to overcome the short-term approach, so that the enterprises' distribution and asset accumulation may be linked up to overcome excessive distribution. In regard to the reform of the investment system, in order to overcome various problems in the present feasibility examinations and approvals, we are preparing to gradually put into practice a system of checks on the rate of investment recovery, an investment trust system, and an investment project feasibility risk mortgage contract system, and we are seriously studying such things as the establishment of a graded responsibility system for investment project approvals, as well as a system to track and analyze the performance of investment projects.

### Existing Problems

Supervision of enterprise finances is principally external oversight. Moreover, it is irregular. Relatively complete oversight is still limited to annual financial inspections. As regards investments, we only account for the annual

incremental influx of approximately 1 percent of total assets, an investment of a little over 100 million yuan, not at all resolving the issue of the rigidity of the overall industrial structure. As regards reforming the enterprise system, its coverage still is not great in either the stock system or the general management responsibility system under the guidance of boards of directors. In their understanding of state-owned assets, there still are some enterprises that think that the assets are their own creation and are dependent on a recommendation to get the bank to give them a loan to develop them and have no awareness that the individual should be restrained and encouraged by all in the management of the enterprise. Only then can the enterprise develop normally. As regards the relationship of property rights, there still are problems with unclear demarcations and chaotic relations of subordination. As regards stationing of asset agents, we only assign a chairman of the board of directors to a very few enterprises. Even more enterprises practice the general manager responsibility system. The enterprise's legal person is the general manager. The policy decision has not been made whether the general manager should have the responsibility of a national asset agent, be conferred the authority of a state-owned asset agent, and enjoy some of the benefits after the assets increase and bear a certain risk. So, management of assigned agents still covers very little. As regards checking and evaluating enterprises, although it involves all state-operated enterprises, it has just begun. In departments' division of labor, administration of property rights also is exercised to a certain extent by a great many government departments. The division of labor between them and the state-owned asset management organization still awaits further clarification. In addition, there still are very many theoretical problems with state-owned asset management that must be explored.

### Analysis of Shenzhen's Price Situation

91CE0362A Shenzhen SHENZHEN TEQU BAO  
in Chinese 8 Feb 91 p 7

[Article by Long Suixiang (7893 4482 7449) and Huang Renmin (7806 0086 3046), Shenzhen Industrial and Commercial Administrative Bureau: "Analysis of Shenzhen's Price Situation and Comments on Deepening Reform"]

[Text] The year 1990 was a crucial one for economic improvement and rectification in China. The state's macroeconomic policies achieved notable results. The overheated economy gradually cooled down. The inflation present over the past few years was effectively controlled. In general, last year the growth rate of the retail price index in various localities nationwide was much less than it had been in the past few years. Stable prices reflected society's political and economic stability. People have become more confident in the state's macroeconomic ability to regulate and control.

In the Shenzhen Special Economic Zone [SEZ], beginning in the first quarter of 1990, there was for the first time negative growth in the retail price index. From January to November 1990, the general index of workers' living expenses in the Shenzhen SEZ was 102.4 percent, an increase of 2.4 percent over the same period the previous year. The index of overall social retail prices was 98.2 percent, a drop of 1.8 percent compared with the same period the previous year. The annual retail price index in 1990 decreased by about 1.6 percent compared with the previous year. It was the first time that Shenzhen experienced a negative growth in price levels since the SEZ was established. In November 1990, the average index of living expenses in 35 large and medium-sized cities nationwide was 105.3 percent. Shenzhen's index was only 101.8 percent, ranking fifth in the nation. The average consumer goods index was 104.1 percent in these 35 cities, while Shenzhen's index was 98.3 percent, ranking next to last.

Shenzhen's price fluctuation last year was characterized by several things.

1. The retail price index saw negative growth, which had seldom occurred before. Except for in January and April, when the index increased slightly—4.4 percent and 2.3 percent respectively—over the same period in the previous year, in the other months the index declined by a large margin. It was the first time Shenzhen experienced such a situation since the founding of the SEZ.

2. While the retail price index showed negative growth, the level of service charges increased by a large margin. From January to November last year, the index of service charges rose by 30.4 percent over the same period in the previous year, leading to a 2.4-percent increase in the price index of living costs for staff and workers. The main reason for the increases were: The state adjusted postal service fees by a large margin. Also, by putting prices in order, the city of Shenzhen adjusted utility charges for such things as water, electricity, medical care, bus fares, parking, telephone installation, and domestic and international long-distance calls. Taking advantage of the favorable situation where the retail price index was decreasing, the city adjusted some service fees which had been low. In doing this, there was no no strong shock to society, and the masses understood what had been done. However, there were some negative reactions to price adjustments which rose too high or to unreasonable charges and fines in real life.

3. Factors causing the retail price index to lag behind showed negative growth and factors causing new price hikes were reduced. From January to November last year, there was a 1.8-percent drop in the retail price index. Of this, lagging factors from the previous year caused a drop of 2.0 percent, while factors causing new price increases resulted only in a 0.2-percent increase in the index.

4. There was a decline in stable food prices. This was the major factor leading to the decline in the retail price

index. Last year, China experienced a record bumper harvest in grain production, the highest since the founding of the People's Republic of China. The harvest brought about a large decline in food prices in the SEZ. Staple goods take up the largest proportion—63 percent—Of all merchandise in people's daily lives. Stable food prices play a very important role in stabilizing overall prices in society. The biggest drop in food prices was the drop in grain prices, which fell 14.7 percent compared to the same period in the previous year. Vegetables, meat, chicken, eggs, and aquatic products were well supplied, and their prices dropped by different amounts. From January to November 1990, vegetable prices fell 5.8 percent compared to the same period in the previous year. There was a 2.7-percent drop in the price of meat, chicken, and eggs, while prices for aquatic products fell 6.7 percent. This truly proved that, when you have food in the cupboard, you have no worries, and when you are on solid ground, you will be quite confident.

Price reform in the Shenzhen SEZ can generally be divided into three stages: small-scale reform, large-scale reform, and in-depth reform. By adjusting, freeing, and managing prices, a price system was formed which was adjusted mainly by market mechanisms and which was linked, to some extent, to international market prices. The price level in the SEZ directly reflects the SEZ's economic performance and the connections between various economic factors. We should admit that, like the rest part of China, Shenzhen does not yet have a complete macroeconomic mechanism for regulating and controlling prices. The strength of price adjustments, as well as the ability to forecast price levels, still need improving. For example, changes in price levels in 1990 totally surpassed what had been forecast at the beginning of the year. This was reflected not only in the quantitative gap of the forecast, but also in the unpredicted direction the changes took.

At present, the price situation in Shenzhen's market is showing good, as well as worrisome, signs. The good sign is that macroeconomic regulation and control has successfully controlled the momentum of inflation. The worry is that problems, like declining economic results, have appeared. As far as the country is concerned, economic circles have two different viewpoints on future price developments. The first view holds that when the growth rate of the price index drops, there is a good opportunity for price reform. By treating major contradictions like the dual track system for means of production and the reciprocal relationship in the sale and purchase of agricultural products as breakthroughs, we should speed up the pace of price reform. The second view maintains that there should be no large adjustments to the price structure, and we must be aware of repercussions. Our view is that the industrial and price structures in the SEZ differ from those in inland areas. Last year, Shenzhen still maintained the momentum of its economic development while experiencing negative growth in price levels. From January to November, the

gross value of industrial output increased 43.5 percent over the same period in the previous year. Society's volume of retail commodities increased 20.2 percent; of this, the volume of residents' purchases of retail consumer goods increased 23.1 percent. All these showed that the SEZ's economy was in a benign cyclical stage. Of course, price levels in Shenzhen are not isolated from the state's macroeconomic environment. If the state introduces successive price reform measures, price levels in Shenzhen will increase. However, the range of price hikes in Shenzhen would probably be lower than in other areas.

Judging from the levels of price fluctuations in Shenzhen over the past 10 years, the big drop in price levels last year occurred in a situation where there had been sustained, skyrocketing prices over the previous few years. Shenzhen's price levels were characterized by a fluctuating cycle. According to analysis of data from 1979 to 1989, we compared the level of price fluctuations in retail sales of social commodities in Shenzhen and in the nation. When price levels in China turn upward, the rate of price hikes in Shenzhen is far above the national average. When price levels in China turn down, Shenzhen's prices fall faster than the national average. As far as Shenzhen's current economic situation is concerned, price levels cannot remain in a state of long-term, negative growth. The downturn means the beginning of a new round of price hikes. Along with the upturn in the speed of national economic development, price levels are also ready to go up.

Price problems in Shenzhen cannot be solved simply by relying on adjusting, managing, or freeing prices any more. A fundamental change towards a good price situation depends on improving economic results. The task of deepening price reform during the Eighth Five-Year Plan is a difficult one.

First, we should establish and perfect the price regulation and control mechanisms at the macroeconomic level. In order to adapt to changing supply and demand, we should coordinate the use of various means of macroeconomic regulation and control. Prices are the combined reflection of the national economy. The excessive population size, the excessive scale of capital construction, and excessive credit will place tremendous pressure on price controls. The key to the macroeconomic regulation and control mechanism is to link government planning with the various departments that implement the mechanism—link them qualitatively and quantitatively. The new focus of the macroeconomic regulation and control mechanism is the link with international market prices.

Second, we should establish price analysis and forecasting mechanisms in Shenzhen. In time this will enable us to analyze and forecast changes in price levels so that we can choose the proper time to adjust commodity prices set by the state and various irrational charge standards. Based on trying to guarantee relatively stable

price levels, we should strive for a rational rate of economic development and to improve people's real living standards.

Third, we must enhance monitoring and checking of price fluctuations, and work to control commodity prices and charges which should be controlled. We must find new ways to manage prices of commodities whose prices have been freed, and prices and charges to which residents are very sensitive.

Fourth, we should study Shenzhen's and Hong Kong's price management systems and price formation mechanisms. By using Hong Kong's experience in price management, we should promote the development of an export-oriented economy and create conditions for combining prices between Shenzhen and Hong Kong after 1997.

## POPULATION

### Effect of Aging Population on Modernization Drive

91CE0385A Beijing ZHONGGUO RENKOU BAO  
in Chinese 8 Feb 91 p 3

[Article by Jiang Zhengzhong (5592 2973 0022): "A Brief Discussion of China's Aging Population and Modernization"]

[Text] While devoting ourselves to China's modernization, we are concerned that the enormous population will affect the process. When we look into the future, we discover there is yet another population factor which will seriously affect the process of China's modernization. This is the graying of the population.

The graying of the population is an inevitable result of social and economic modernization, therefore, this problem exists in every country. Nevertheless, since the course of modernization is not the same in each country, the degree of influence a graying population has will be different too. The degree of influence the graying of the population has on modernization is determined by the following three factors: 1. The rate of aging. If the graying of the population occurs unexpectedly quickly, people will not be prepared ideologically or psychologically, and it will inevitably have a great impact on society. 2. The degree of modernization in districts or countries where graying of the population occurs. If modernization is advanced and the economy developed, then a country can shoulder the responsibility for, and absorb and resolve social economic problems related to an aging population. Otherwise, an aging population would seriously affect the progress of modernization. 3. The policies a country adopts toward the graying of the population. If the nation's policymakers can adopt certain necessary measures before the process begins, then they can alleviate all sorts of pressures created by an

aging population. Several special characteristics of the graying of China determine the grim future of China's aging population.

One of the most prominent characteristics of the graying of China is the rate at which it is occurring. In 1987 the coefficient of the graying of the population [the graying coefficient] was 5 percent; by the year 2000 it could reach 7 percent. This is only a span of 13 years. This rate of aging is unprecedented in the history of population development. Another special characteristic of China's aging problem is that the graying of the population does not correspond well with the level of modernization. When the graying coefficient reaches 7 percent by the year 2000, China's per capita GNP [gross national product] will not even be \$900. In 1970, when Japan's graying coefficient was 7.1 percent, their per capita GNP was \$2,000. This developmental tendency forces us to consider and discuss the impact an aging population will have on social and economic issues and on modernization. This will enable us to avoid the disadvantages and focus on advantages so as to speed up our modernization.

The most evident social and economic issue caused by the aging population is the increasing proportion of elderly needing support and the increase in social security expenditures. In 1989 the national retirement fund was as high as 37.5 billion yuan, or 14.3 percent of the year's state revenue. From now on, this retirement fund will be increased several fold, or even over 10 or so fold. The present problem is that the population has not yet reached this graying stage. We can still resolve millions of worker and staff retirement fund uses based on a social security system where units collect funds from current accounts and pay them out. However, after the population grays, there will be a tremendous increase of the number of people receiving retirement funds, while the number of younger people who supply these funds will decline correspondingly. This can only lead to the collapse of the social security system and a tense state financial situation. In 1982 every 100 laborers provided support for 12.9 elderly people; in 1987 the number increased to 13.6. Estimates are that every 100 laborers will support 16.5 elderly by the year 2000; 32.1 elderly by 2025; and 47.4 elderly by 2050. (Statistics from Qiao Xiaochun [0829 2556 2504] et al., *An Overloaded Land* (Qiushi Publishing House, 1989), p 194.) The increase in the proportion of elderly provided for means younger people will shoulder a growing burden while losing their own relative benefits. This will not only influence the production enthusiasm of workers and service staff, it will also seriously affect the relationship between the older and younger generations.

As the population ages, one phenomenon cannot be ignored: the work force continues to age and laborers of late middle age (generally laborers between 45 and 64) account for a growing share of the work force. In 1987 China's labor force coefficient was 23.43 percent. According to 1988 United Nations estimates and calculated data related to the sexes and ages of the global

population, the graying coefficient of China's labor force will be 27.34 percent in 2000, 37.63 percent in 2015, and 41.69 percent in 2025. As we all know, after reaching middle age, one's physical strength and energy declines remarkably and one's adaptability weakens. Therefore, the graying of the labor population signifies a fall in the labor population's physical strength and quality, and in particular a decline of overall physical strength. In China's broad rural areas, production depends mainly on manual labor, and the strength or weakness of one's physical strength plays an important role in production. Without vigorous physical strength, the population cannot cope with the needs of production. Therefore, the graying of the labor population will inevitably lead to a decline in agricultural labor productivity, which will greatly affect the process of China's economic modernization. According to Japan's calculations, because of its graying population, its economic growth will decline, and could even reach 1 percent or zero percent. The graying population will have a greater impact on the manual labor sector than on the mental labor sector. In China, the proportion of workers in the mental labor sector is much lower than in Japan. Thus we know that the graying of the working population will have a great impact on economic development. French anthropologist Sauvy considered that the graying of the population "causes a spiritual and material crisis in a country that cannot be anticipated by economic analysis."

In addition to finding amazing historical similarities, we discovered while studying the graying of the population that although the ratio of support of the elderly will continuously rise from 1990 to 2025, in general the ratio will oscillate around 45 percent. In 1990 it was 47.2 percent; it will be 48.6 percent in 2000, 42.1 percent in 2020, and 45.4 percent in 2025. This kind of population structure is very similar to that Japan's from 1965 to 2000. In Japan, the total ratio of support in 1965 was 47.5 percent; in 1982 it was 48.4 percent, and in 2000 it will be 49.7 percent. The average total ratio of support for these 35 years is below 50 percent. Japan's ratio of support of the elderly in those 35 years is even higher than China's! As renowned Japanese anthropologist Toshio Kuroda pointed out, "The post-war economic recovery and full-speed development in the 1960's created a miracle in Japan's population structure. Due to the abundance of younger laborers, fewer elderly, and fewer social security expenditures, we could cope with more investments and expenditures in personnel and equipment." We should gain some inspiration from this.

The trend towards the graying of China's population in the 21st century will be grim. When we formulate strategic measures for marching towards modernization targets, we should not just consider that the graying population could present a series of adverse social and economic problems. We should also look ahead from 1990 to 2025 and develop a population structure that is more favorable to modernization.



## AGRICULTURE

### Liu Zhongyi Speech at Rural Work Conference

91CE0413A Beijing NONGMIN RIBAO in Chinese  
7 Feb 91 pp 1-2

[“Excerpts” from speech delivered by Liu Zhongyi, minister of agriculture, to the National Work Conference on Agriculture on 18 January 1991: “Views on the Steady Development of Agricultural Production and Our Rural Economy”]

[Excerpts] The major topics of discussion at this National Work Conference on Agriculture will be as follows: an analysis of 1990's agricultural production and rural economic conditions, and a summary of 1990's agricultural work; a further clarification of our general policies on developing agriculture and invigorating the rural economy, based on the guiding principles in the “CPC Central Committee Proposal on Drawing Up the 10-Year Program and Five-Year Plan for National Economic and Social Development,” which was examined, approved, and passed by the Seventh Plenary Session of the 13th CPC Central Committee; a study of the implementation of all of 1991's agricultural production and rural economic work, based on the spirit of the circular issued by the CPC Central Committee and State Council on 1991's agricultural and rural work; production and construction plans for the agricultural sector, based on the overall plans of the National Planning Conference. [passage omitted]

#### **I. We Must Sum Up Our Basic Agricultural Development Experiences in Recent Years Conscientiously, and Keep a Cool Head in Order To Analyze Agricultural Conditions Correctly**

Since the CPC Central Committee and State Council decided to improve and rectify our national economy, we have developed the following profound realizations and deep impressions: 1) the guiding ideology, which was prominently emphasized by the CPC Central Committee and State Council, to “make agriculture our foundation” and “truly put agriculture before everything else in our national economy,” is acting as a key national motivation for speeding up our “agricultural heating up;” 2) the guiding ideological principle, which was proposed by the CPC Central Committee and State Council, that there must be sustained, steady, and coordinated development of the national economy, and that agricultural development must rely on stabilizing basic rural economic policy, promoting S&T to invigorate agriculture, and striving for increased input, is acting as a practical guarantee for the sustained and steady development of agriculture; 3) improvement and rectification of the national economy is playing a key role in enhancing the socioeconomic conditions for agricultural production and improving the macroclimate for rural economic development.

The Central Government and local governments at all levels have taken the following major steps in recent

years to speed up agricultural development: set up agricultural development funds at all levels, organized the masses to carry out large-scale farmland capital construction, carried out multipurpose agricultural development, and built bases for grain, cotton, and other agricultural, livestock, and aquatic products; popularized and applied S&T achievements vigorously; augmented and improved supplies of agricultural capital goods, adjusted the procurement prices of agricultural sideline products, and worked hard to solve procurement, marketing, storage, and transport problems for agricultural products. All of these steps were taken to implement the guiding ideology of the CPC Central Committee and State Council on agricultural development, and were indispensable to our achievement of agricultural bumper harvests.

How to assess our last two years of increased agricultural production, i.e., our bumper harvests, is a key question. We must realize that the last two years of bumper grain harvests was increased production after several years of fluctuation, and a recovery of sorts. Our per capita grain output and gross cotton output are still not up to 1984's levels, and our overall agricultural productive forces have certainly not improved notably. While the good climatic conditions in the last two years were a key factor in our bumper harvests, and the favorable weather throughout the country presented us with a rare opportunity, we must also realize that bumper harvests bring certain attention-deserving reduced production factors, such as an ideological slackening of efforts and lowering of our guard. As bumper harvests produce new conditions and problems, such as “marketing difficulties” and drops in market prices of grain and other agricultural products, we must take vigorous steps to publicize the fact that, since bumper harvests are hard to come by, and achieving steady growth is a difficult job, ideological and all other aspects of work must absolutely not be neglected or slackened. As China's gross output of grain and all other key crops is not overabundant, but rather inadequate, these “marketing difficulties” are a temporary problem that is due to our still imperfect and uncoordinated economic operations and circulation channels. In the wake of these bumper harvests, we must soberly assess and analyze the new conditions, and take positive and conscientious steps to solve the new problems.

From a long-range and overall perspective, China's agriculture is still facing a rather grim situation. The difficult tasks and many contradictions and difficulties facing agriculture are often easily played down or overlooked after bumper harvests. This is a historical lesson to which particular attention must now be paid. Our agriculture is facing the following grim conditions:

1. As our agricultural capacity is being increasingly overloaded, and specific annual increases in our gross outputs of all key agricultural products are necessary, the conflict of supply not being able to meet demand is likely to sharpen if there is any stagnation.



2. Even though the Central Government, local governments at all levels, and all quarters of society are making great efforts to gradually improve basic agricultural production conditions, socioeconomic developments and changing natural conditions will always have a certain unavoidably adverse impact on them. For instance, as urban construction and industrial and transportation development will always take over more cultivable land and water resources each year, and various natural disasters are bound to damage some farmland and agricultural infrastructures every year, fairly great annual improvements are needed in basic agricultural production conditions. Any stagnation will create problems, such as reductions in cultivated area, drops in soil fertility, irrigation equipment falling into disrepair, and obsolescence of farm machinery and tools, which would weaken our agricultural production foundation.

3. Our agricultural output must increase steadily to meet constantly growing social demand. Correspondingly, our agricultural demand for capital goods is also increasing continuously, and our agricultural demand for and reliance on capital goods will continue to grow, not only as to quality, but also as to many other aspects, such as variety, quantity, and effectiveness of supply. We have reached the point where we cannot afford any stagnation in this area either.

4. Along with continuous socioeconomic development and deepening of reform, China's agriculture and rural economy have begun to break free from their closed self-sufficiency or semi-self-sufficiency, our agricultural products are becoming steadily more commercialized, our rural economy is becoming increasingly brisker, our interregional and urban-rural economic ties are gradually becoming more complex, and the ties and interdependence between agriculture and cities, industrial communications, and markets are growing steadily. Moreover, our current economic operating mechanisms are still imperfect, and many relations in our economic life have not yet been completely rationalized. In particular, our agricultural production, supply, and marketing relations are irrational, and our agricultural product prices are too low, which have left our rural cash earnings growing slower than our harvests are increasing, and even declining in some areas, and our agriculture with a poor self-development capability. Our agricultural and rural socioeconomic relations are still in an unfavorable state, which is another key issue facing our agricultural development.

5. The very low level of our agricultural production technology and equipment, the backwardness of our means of production, our inadequate funding, the weakness of our frontline production S&T capability, the slow transformation of our available S&T achievements, and our peasants' poor S&T capabilities, have become serious obstacles to China's further agricultural development.

The sum of these conditions shows that China's agricultural development is in a state of constantly growing

demand, increasingly heavier burdens, intolerable stagnation, and difficulty in fully ensuring needs in all areas where natural climatic conditions still play a very large role. Thus, when we say that our agriculture is facing grim conditions, the severity of which that our capabilities are stretched too tight in all areas and there is too little room to maneuver with insufficient stamina.

This perception and analysis of the state of our agricultural development certainly does not mean that we hold a gloomy view of China's agricultural development, but rather that we must make an overall and basic assessment of our agricultural problems. This will help to call attention to all the aspects and to mobilize people throughout China to use their strengths in making a sustained effort to build a solid agricultural foundation. This perception and assessment of our agricultural problems can only be helpful to our efforts to increase our agricultural development initiative and maintain steady, sustained, and coordinated agricultural development.

## **II. We Must Gradually Improve Our Basic Rural Policy Premised on Upholding Its Long-Range Stability**

In the midst of these agricultural and rural economic problems, we must particularly emphasize the stability of our basic policy. Only by implementing the policies set forth by the CPC Central Committee and State Council steadily and over the long term, can we stabilize the overall situation and public feelings. The contract management responsibility system, focused on family joint production contracts, is the party's key basic rural policy. This policy conforms to the current level of development of China's agricultural productive forces, is in line with the aspirations of the peasant masses, and has broad adaptability and exuberant vitality.

The family joint production contract system is characterized by its "combining centralization with decentralization, and practicing dual levels of management." This dual management system, which combines decentralized family management with centralized collective management—preserves collective ownership of the means of production, such as land, and retains the advantages of centralized collective management, while respecting the management and administrative decisionmaking power of producers, and bringing the initiative and creativity of family management into full play. It has obvious collective management attributes, is a key component of our state-owned economy, and is a socialist agricultural management system with distinct Chinese characteristics.

Along with agricultural production developments, the gradual raising of technical levels, and the developing changes in many social and economic factors, the rural dual management system has been subject to certain new conditions and problems. These consist of inconveniences brought by decentralized contracting of production management for parcels of cultivated land belonging to one production unit but enclosed in that of another, and the great impact on the stability of land contracting

of frequent population and labor fluctuations. Along with the popularization and application of agricultural S&T, contracting peasant families are increasingly feeling that decentralization is inconvenient, not worthwhile, or beyond their capabilities, as far as the use of new technology and in certain links of production. There are certainly many difficulties for individual families in areas such as breeding improved varieties, mechanized cultivation and harvesting, timely irrigation, and effective crop protection. In addition, in the process of gradually replacing a self-sufficient or semi-self-sufficient rural economy with commodity production, contracting peasant families are being confronted with increasingly glaring problems in areas, such as material and technical supplies and product sales. We must deal with these new conditions and problems realistically, and solve them gradually by acting according to the principle of gradual improvement based on stability.

Premised on a stable contract management responsibility system that is focused on family joint production contracts, all areas have actually been exploring and practicing ways to improve this system in recent years. Based on generally stabilizing and improving the land contract system, and strengthening contract management contracts and collective property management, the key improvements have been to develop diversified forms and levels of service, and to gradually form a socialized service system in order to enable certain links of the agricultural production process, which are difficult for individual families to undertake, to be performed by the socialized service system. The better these jobs are performed and the higher the quality of service, the more contracting peasant families welcome it, and the better the enthusiasm and overall productive forces of producers. Moreover, this has also gradually developed our social division of labor and coordination of agricultural production, and improved our agricultural level of specialization and economy of scale efficiency. Thus, developing our agricultural socialized service system is an effective way to stabilize the contract management responsibility system that is focused on family joint production contracts; in addition, improving the dual management system, and gradually expanding our collective economic might all have vigorously sped up the development of various specialized cooperative organizations in rural areas, and will be a future priority in improving our agricultural management and administrative system, and deepening reform.

The agricultural sector has a great responsibility for and should play an active role in developing social services and establishing a sound socialized service system. While our current major service systems in fields such as agriculture, the livestock industry, fisheries, machinery, management, and administration have almost a million workers, have provided much technical, management and administrative service to development of agriculture and the rural economy, and have created much valuable experience, which has been welcomed by the peasant

masses, they are still facing certain problems that are in urgent need of solutions. The most glaring ones are that basic level service organs are imperfect, having poor morale and working conditions and incomplete policies. The Ministry of Agriculture has done much work in this area, with vigorous support from the Ministry of Personnel and all concerned sectors. We must continue our efforts in 1991, and regard the solving of these problems as key tasks to be emphasized closely and realistically in building up the agricultural sector from within. Our key task is to cooperate with the departments concerned to solve the problems of basic-level agricultural service organs in areas, such as defining the nature of problems, determining staff size, finding funding, and resolving other policy issues. It is hoped that local agricultural departments at all levels will also be able to take positive steps to help make this possible, by taking the initiative to gain the support of local governments and concerned departments, further improve the agricultural service system, adopt positive and safe policies, and deepen service work.

Our aims to improve the contract management responsibility system that is focused on family joint production contracts, establish a sound socialized service system for agriculture, and improve our dual management system, will uphold and strengthen our socialist collective economy, bring its advantages into full play, aid and support decentralized management, and thus preserve and arouse peasant initiative to make further advances in our agricultural production, rural economy, and agricultural modernization. As to specific methods, all areas must act realistically and in accordance with the need to develop our productive forces and with the wishes of the peasant masses, by suiting measures to local conditions, diversifying, adroitly guiding action according to circumstances, and acting when conditions are ripe.

### **III. We Must Introduce the Policy of "S&T and Educational Invigoration of Agriculture" Into the Fields and Down to All Peasant Households**

In 1990, we launched nationwide "Year of Agricultural S&T Popularization Activities" and, through widespread propaganda and mobilization, generally raised the perception that "S&T is the final solution to agricultural problems," aroused the initiative and enhanced the sense of responsibility of agricultural scientists and technicians, and stimulated the aspirations and enthusiasm of the peasant masses to study and apply science. Moreover, we also made encouraging progress and achieved tangible results in areas such as popularizing agricultural S&T, as well as the application of and providing technical training to peasants. However, our key agricultural development strategy of "S&T and educational invigoration of agriculture" is still in an initial phase of uneven development.

In 1991, we must strive to advance this general strategy based on 1990's achievements. We must continue to apply the "Bumper Harvest Project" to farming, the livestock industry, and fisheries. Our agricultural S&T

work must be oriented toward the grass-roots levels, frontline agricultural production, and the workers who are directly engaged in agricultural production, by stressing practical results and spreading S&T vigorously. Thus, we plan to work in coordination with local governments, responsible agricultural departments, and concerned sectors in all areas to jointly accomplish the following tasks:

1. We will combine multipurpose agricultural development, commodity base construction, and foreign investment utilization with "S&T and educational invigoration of agriculture." In other words, along with agricultural developments and multipurpose development of "mountains, rivers, fields, forests, and roadsides," we must give the proper emphasis to S&T development, application, and service. This will enable us to more comprehensively improve our multipurpose agricultural productive forces, and realize high and stable agricultural yields.

2. We will combine the building of our agricultural socialized service system with S&T popularization and application. The purpose of our socialized service system is to help solve difficult problems throughout the agricultural production process, increase agricultural output, utilize water resources rationally and efficiently, utilize chemical fertilizer, pesticides, and natural fertilizer resources rationally, utilize rural energy resources rationally, lower agricultural production costs, and achieve more output with less input. While the quality and effectiveness of service depends to a great extent and in many areas on its technical level, many practical research achievements must still be transmitted to peasant households and farms through the service system that is distributed throughout frontline agricultural production. Closely combining these two tasks will enable us to achieve twice the results with half the effort.

3. We will combine S&T popularization and application with S&T training for peasants. In the process of spreading new technology to agricultural production, the popularized technical know-how and methods of operation and application must be passed on to the peasants who are directly engaged in productive labor.

4. We will combine strengthening of grass-roots service organs in the agricultural sector with support for all peasant specialized technology and research associations. As peasant associations, such as specialized technology and research associations come in many forms, are very practical, and are an indispensable force in popularizing S&T, they must be actively guided and supported.

5. We will combine popularization of technology with improvement of rural management and administration, so that the masses can really benefit from the application of new technology;

6. We will combine active popularization of S&T achievements with enhanced agricultural research, in order to build up a reserve of leading technology to

further develop agricultural production, and to provide a steady stream of new technology and achievements.

I believe that if we can organize and coordinate our strengths in all areas, such as scientific research, education, and production, successfully carry out the above-mentioned combinations, and strive to orient ourselves in this direction from now on, some years of practice, continuous summing up of experiences, and gradual improvements will make it possible for China's agriculture to develop to a new stage in the areas of basic conditions, S&T application, and the educational and technical proficiency of the peasant masses within this century.

#### **IV. We Must Strive To Increase Our Agricultural Input in Line With Our Agricultural Production Development Tasks**

There has long been a very poor perception or conception of the interrelationship between input and output in the agricultural sector, with a considerable number of comrades thinking that agricultural output depends more or less on heaven (the weather), earth (the soil), and people (the peasants). In fact, input and output are interrelated in agriculture, just as they are in other material production sectors. When studying the Eighth Five-Year Plan and the 10-Year Program, we analyzed the correspondence between grain output and its related input over the last four decades. A comprehensive survey of a host of data and facts led us to the conclusion that every 100 billion jin increase in grain output, with other factors remaining constant, requires a correspondingly increased input of 15 million tons of chemical fertilizer, 1.3 million tons of diesel oil, and 10 billion kwh of electricity. In addition to the field of cultivation, our input-output ratio is also very high in other agricultural sectors. For instance, in the aquatic products and deep-sea fishing industries, building a 600-900 HP fishing vessel requires an input of 4 million yuan and 20 workers, and a mu of shrimp ponds requires an input of 3,000 yuan in capital construction investment and 1,000 yuan in operating funds. Thus, we would like to emphasize that, as a material production sector, agriculture is the same as all industrial sectors, in that it must operate according to the economic laws of input-output and the natural law of energy conversion, i.e., that greater output can be achieved only through increased input.

In comparison to other industrial sectors of the national economy, the input-output relationship in agriculture also has the following peculiarities: 1) As agriculture is more affected by natural conditions, has a longer production cycle, and is more risky, it needs stronger guarantees of effective input to fight natural disasters and produce stable yields. 2) Agricultural input construction projects not only directly increase economic efficiency, but also produce many or more social and ecological results. For instance, most of our modern agricultural infrastructure has public welfare characteristics, i.e., it serves both agricultural production and also cities, industry, and the whole society. Although these

kind of construction projects have less of a direct impact on economic efficiency and produce results more slowly, as they have a great overall impact in terms of their benefit to overall socioeconomic development, they are not only necessary, but also in urgent need of reinforcement.

Since summing up our agricultural development experiences, the Central Government has pointed out that agriculture development relies on policy, S&T, and input. These three areas are interrelated, as correct and rational economic regulation and control policies are also input. For instance, if agricultural product pricing, procurement, and marketing policies do not adhere to the laws of value and the law of equal social profit margins, and peasants cannot earn reasonable pay for producing agricultural products, such as grain, it will be hard to maintain initiative or reproduction capabilities. Thus, a complete set of policies is needed to maintain agricultural input initiative and form an economic climate that encourages peasants to invest in agriculture.

Agriculture relies on S&T, which also requires input, and a comprehensive type of input. Our past emphasis on "S&T invigoration of agriculture" seemed to imply that great profits could be earned from no capital, which was unrealistic. A key aspect of intellectual input is that it requires enhanced scientific research. As a new product variety generally takes years to develop, its research needs equipment, a place for testing, and laboratories, all of which require input. In addition, S&T popularization also requires money. While this may not seem to cost much from an individual perspective, from a nationwide perspective, e.g. providing each popularization center with one microscope, it would cost the whole country a sizeable sum. Our popularization centers are now faced with the following two problems: 1) they are spread very thinly, and many places do not have agricultural technology popularization centers; 2) popularization centers do not have the means to popularize technology. These problems must be gradually resolved.

As to where agricultural input comes from, the general requirement is to bring the initiative of the Central Government, local governments, collectives, and peasants into full play, and to organize and attract financial resources from all four of these sectors, in order to reinforce agricultural construction. Our agricultural input channels are now expanding from Central Government financial allocations, state plan investments, and local fundraising, to bank loans, foreign investments, and the development of "industrial subsidization of agriculture" and "industrial help for agricultural construction." This is a great breakthrough in concept and scope, and a key development for increasing our agricultural input.

This involves a key theoretical issue, i.e., how to correctly understand and handle the relationship between financial investments by the Central and local governments and input from peasants. Input by the Central Government and localities is very important, and our

emphasis on the role of peasant investment must not be used to overlook the key role of the Central Government and localities in agricultural investment. Improvement of the weak basic standing of agriculture in our national economy must come through adjusting our investment structure, that is, by investing a bigger percentage in agriculture. This is a matter that the Central Government took into account when drawing up the Eighth Five-Year Plan and the 10-Year Program. While increasing the agricultural input from the Central Government and localities, great attention must be paid to arousing the input initiative of collectives and peasants. While peasant input is the key to maintaining simple reproduction, it alone is inadequate for expanded reproduction. This is due not only to our very low agricultural accumulation rate per se, but also to the fact that our current agricultural construction has far surpassed our traditional agricultural construction scope, and exceeds our peasants' technical and input capabilities. For instance, agricultural infrastructures, such as our agricultural research and education system, agricultural technology popularization service system, improved breed (livestock and fish) popularization system, agricultural mechanization management service system, feed processing system, agricultural resources and environmental monitoring system, agricultural plant disease and insect pest prevention and control system, livestock and poultry epidemic prevention system, soil fertility testing and monitoring system, agricultural product quality control system, agricultural management and administrative guidance service system, and agricultural post-production facilities, must be organized and built mainly by the state and local governments, and cannot be left to decentralized peasant construction and management.

Our agricultural input, whether funds or goods and materials, needs to be used with enhanced management and improved efficiency. Our current diversified input channels make it hard for us to focus our strengths, and our decentralized input plans, which are not dovetailed, make it hard for us to bring our advantages into full play by focusing our strengths on fighting a war of annihilation. This issue should be conscientiously studied and resolved in the course of improvement, rectification, and deepening of reform.

#### **V. We Must Gradually Strengthen the Operating Mechanisms of Our Rural Economy, and Strive To Improve Our External Economic Climate for Agriculture**

Along with China's reform, opening up to the outside world, and rural commercialized production developments, and the steps that we have taken to reform agriculture and our rural economy, we should strive to improve our economic climate for agricultural development in the immediate future, while enhancing our state macroeconomic guidance and control and macroeconomic regulation and control. While our external climate for agriculture has improved somewhat in recent years, it is still generally very unfavorable.

1. Our agricultural sector has taken on too heavy social and economic tasks, and received too little compensation from socioeconomic developments. Our agricultural sector has not only had to provide society with low-priced grain, cotton, and various other agricultural sideline products, but we have also actually taken on other heavy tasks, such as river flood control, urban and industrial water supply, national greening, and land management. As far as our agricultural productive forces are concerned, too high prices for the agricultural means of production and too low ones for primary agricultural sideline products, have caused increasingly glaring losses for peasants, and grain and cotton farmers in particular. As to farming and forestry irrigation works, a considerable portion of the limited funds collected by the Central Government, localities, collectives, and peasants has gone to social construction, which input has absolutely not been correspondingly compensated. The most glaring issue is that most of our investment in irrigation works, which accounts for over 60 percent of our agricultural input has gone to flood control for major rivers, which concerns the social, urban, and industrial sectors, and many of the irrigation projects that were built to serve agriculture have also been gradually shifted to the service of cities and industry. In this way, much of the funds listed in our national budget and state plans as agricultural input, have actually been shifted to social development and urban industry. While such projects are naturally very important and necessary, and also lead to improved economic efficiency, as some of their benefits are transformed into industrial profits, and others are absorbed without compensation by various social parties, agriculture has become a sector of great input and little compensation, or of input alone with no direct profit. In addition, our current investment management system makes it very hard for many of our limited funds to be used for agriculture, grain and cotton production in particular, which are very beneficial to society but produce very little direct economic efficiency. This situation is unfavorable to agricultural development.

2. Our agricultural product procurement and marketing system and relevant economic policies are unsuitable and incomplete, which can be seen most conspicuously in that our production, supply, and marketing relations, which are focused on production, do not dovetail, and that our agricultural producers are in a passive and unfavorable position in the commodity exchange process. As far as our current production and marketing relations for staple agricultural products are concerned, the relations among intermediaries in the production, circulation, and marketing process in areas, such as banking and pricing, are not only not dovetailed, but they are often also mutually blocked and conflicting. Our peasants and government are both now in the predicament of having to worry about both poor and bumper harvests. For instance, the commercial sector, as the main circulation channel, suffers from procurement and management difficulties when harvests are poor, and financial, storage, and shipping problems when harvests are good, money is tight and interest rates are high in the banking

sector, and some deregulated prices are uncontrollable while regulated ones are too low in the pricing sector. This results in "marketing difficulties" when harvests are good, and "great struggles" when harvests are poor. All of these problems ultimately affect the interests of agricultural producers either directly or indirectly, as well as the production initiative of peasants, grain and cotton producers in particular.

3. Our peasants' real incomes are fluctuating, and their economic burdens are growing increasingly heavier. The sharp increases in the prices of manufactured goods in recent years have widened the "price scissors" between industrial and agricultural products that had been narrowed somewhat in the early days of reform, which is causing real peasant income to fluctuate. At the same time, peasant burdens are growing heavier. In 1989, the two items in per capita peasant burdens of village deductions and township overall planning alone, accounted for 7.7 percent of 1989's per capita net income, exceeding the 2.7- percent limit that was set by the State Council. If burdens in other areas are added in, peasant burdens account for more than 10 percent of per capita net income. In 1990, the State Council gave the job of controlling and supervising peasant burdens to the agricultural sector. While we have achieved certain successes in this area through the joint efforts of the leadership and the rank and file in the past year, we still feel that we are going to need the cooperation and support of all parties throughout society and all concerned sectors, if we are to succeed in really reducing peasant burdens. Much attention should be paid to the fact that the drop in real peasant income along with the increase in peasant burdens not only have directly affected agricultural reproduction, peasant livelihoods, and dampened peasant production initiative, but also have affected rural social stability.

In addition, historical and social factors have overconcentrated agricultural sideline product processing industries in urban areas. This is unfavorable to the rational development and utilization of natural resources and agricultural sideline product resources on-site or in neighborhoods, while greatly increasing the burden on communications and transportation, and causing rural areas and peasants to lose a considerable opportunity to increase the value of their products through processing, and to miss out on many economic benefits.

These issues actually involve the relations between industry and agriculture and between town and country, and also affect our overall national economy. The keys to resolving them are to free agricultural production and farming and forestry irrigation works from the strictures of a "product economy" and "our supply system of payment in kind," truly treat agriculture as an economic sector of social production, to study and respect the objective economic laws of agricultural production, construction and rural economic operations and development, including the laws of value, the law of equal social profit margins, and the laws of reproduction, in order to coordinate the development of our industrial,

agricultural, urban, and rural economies. To be a little more specific, we should consider the following ideas:

1. We should gradually rationalize our pricing system in line with the principle of exchange at equal value. We must have rational protected prices for staple farming and livestock products, such as grain, cotton, and hogs, and ensure that these products are procured at no less than the protected prices. The prices of agricultural products under the state system of fixed procurement quotas should be increased slightly each year to make them more rational. Moreover, we should adopt a policy of gradual sale price increases, sales pressure, and deregulation, in order to lighten Central and local financial subsidization burdens for grain and cooking oil. Along with adjusting agricultural product prices, we must increase our supply of the agricultural means of production, in order to ensure that peasants increase production and earn more income.

2. While keeping key agricultural products, such as grain, cotton, and cooking oil, under the state fixed procurement quota system, we should gradually establish relatively stable allocation relations among provinces, autonomous regions, and municipalities, draw up tax burden and pricing policies for production and marketing areas, and allow key grain-, cotton-, and cooking oil-producing areas to earn reasonable profits, in order to preserve their production initiative.

3. We should stimulate agricultural sideline product circulation. After peasants pay their taxes and fulfil their obligations to the state fixed procurement quota system, they should be allowed to process and market all the rest of their products and become commodity producers directly involved in the fields of increasing value, processing, and circulation, in order to strive for more reasonable profit distribution;

4. Lightening peasant burdens should be a key principle in the formulation of all rural policies. The collective deductions and township overall planning fees that peasants pay should be kept strictly within state-stipulated limits. All unreasonable social burdens should be lightened through controlling the "three arbitraries" and managing peasant burdens better. The rural conscription and labor accumulation work that peasants are burdened with should also be kept strictly within policy-stipulated limits. Moreover, we must strengthen our legal system by drawing up legislation to gradually achieve legal management of peasant burdens.

As all of these issues are closely linked to our rural economy and agricultural production, and are ones that our agricultural sector cannot resolve on its own, we must get actively involved, take a concerted initiative, investigate and study conscientiously, report conditions and problems promptly, and make suggestions and proposals, in order to speed up the gradual improvement, completeness, and deepening of reform in this area.

#### **VI. We Must Conscientiously Implement the Policy of "Absolutely Not Slackening Grain Production, While Actively Developing a Diversified Economy," and Steadily Adjust Our Rural Industrial Structure**

Since the Third Plenary Session of the 11th CPC Central Committee, we have been adjusting our rural industrial structure on many levels simultaneously. On the agricultural cultivation level, we hastened our development of cash crops, while continuing to expand our grain production. On the agricultural level, we have sped up our development of forestry, livestock raising, sideline production, and fishery, while steadily expanding our agricultural cultivation. On the rural level, we sped up our development of nonagricultural sectors, such as rural industry, construction, transportation, commerce, and service, while vigorously expanding agriculture. This adjustment orientation was correct, and we have achieved remarkable successes through a decade of reform and opening up to the outside world. We must continue in the future to make steady adjustments in line with national industrial policy demands, and vigorously develop secondary and tertiary industries, tertiary industries in particular.

In the field of agricultural cultivation, we must make overall plans and take all factors into consideration, make reasonable plans, and implement cultivation plans for staple agricultural products. Even though we have reaped bumper harvests for two years in a row, grain production is still in difficulties and is a priority for agricultural production in 1991. From the perspective of autumn and winter plantings of 1990, factors unfavorable to expanded grain production have been increasing. In particular, as market grain prices have dropped steadily, "grain marketing difficulties" have not yet been basically resolved, and some areas did not fulfil their autumn and winter grain cultivation acreage plans, which is going to make it very hard to achieve our 1991 summer grain harvest production goals, we must guard against a decline in grain production. We must absolutely not adjust our cultivation structure and develop a diversified economy at the expense of reducing the acreage sown to grain. We must use ways, such as improving our cropping system, and developing ratooning rice, wheat and cotton interplanting, and winter agriculture, to raise our multiple crop index, stabilize our grain acreage, appropriately increase our acreage under cotton, oil-bearing crops, and sugar, and develop other cash crops in line with local conditions. Our agricultural cultivation production must be based on increasing both per unit area yields and overall output.

We must further intensify our multipurpose agricultural development and commodity base construction. Our multipurpose agricultural development priority for 1991 will be to emphasize the continuation and completion of ongoing projects. In particular, we will reinforce our infrastructure in areas such as our agricultural technology popularization network, improved variety

breeding, plant disease and insect pest monitoring, prevention, and control, farm mechanization completeness, soil improvement, and irrigation and water conservancy, and make plans to establish a number of new commodity grain and cotton base counties. In addition, we will take vigorous steps to popularize applied technology, such as plastic film ground cover, modular cultivation, and prescribed fertilizer application, while continuing to implement the "Bumper Harvest Project." In order to maintain steady development of cash crops, we must pay attention to making corresponding plans for facilities such as storage, processing, transportation, and marketing in producing areas where they are concentrated. Moreover, all concerned parties must act in close coordination to ensure that all links, such as production, processing, storage, transportation, and marketing, may dovetail.

Premised on stable live hog production in the livestock industry, we will strive to develop poultry, such as chickens, geese, and ducks, and speed up construction of large tracts of waterfowl bases in south China. We will intensify our protection and building up of grasslands, improve our grassland productive forces, vigorously develop herbivorous domestic animals; popularize various advanced feed techniques, poultry epidemic disease prevention and control techniques, and compound, ammoniated, and silage feeds; speed up adjustment of our livestock industry structure, and improve its input-output rate. We will deepen reform, perfect policies, insist on diversified circulation channels for livestock products, live hogs in particular, and encourage coordinated management of production, supply, and marketing.

Our aquatic products industry will focus on "tapping latent potentials, lowering costs, increasing output, and stabilizing efficiency," and we will strive to increase input and emphasize basic fishery construction. We will take active steps to dredge circulation channels, improve product quality, and develop aquatic product markets. While consolidating and improving small-scale aquatics breeding, and continuing to adjust our inshore operations, we will develop new fields of production, and speed up multipurpose development of large- and mid-size bodies of water, such as coastal shoals, lakes, and reservoirs, and regional breeding. We will take active steps to expand our deep-sea fishing, and give priority to developing new breeds and fishing grounds.

Our economic structural adjustment priorities in our farm reclamation system should be placed on reliance on S&T, tapping latent potentials, and improving efficiency, so that we can better develop agricultural commodity, urban food, and agricultural modernization bases, and provide better technology and supply and marketing services to agriculture. Our farm reclamation system must always give priority to agriculture, and be based on agricultural development and expansion. Diversified development on this basis will enable our

farm reclamation enterprises to become new socialist joint ventures in multipurpose development and operations.

Township enterprises are a product of reform and opening up to the outside world, which has undergone a complex and tortuous course of progress and development. Practice has proven that the development of township enterprises conforms to China's national conditions, and is suited to the need of developing our rural commodity economy. It has helped to invigorate our rural economy, bring our rural resources into full play, absorb surplus rural manpower, strengthen our rural collective economic might, propagate social wealth, raise peasant income, and increase our agricultural investment; thus, it has supported and sped up our agricultural development. Township enterprises have now become an important pillar of our national economy, and are seen as the only way to invigorate our rural economy. Adequate attention must be paid to their development, by firmly implementing the policy of "active support, rational planning, correct guidance, and enhanced management." They must be rooted in the rural areas, support agriculture, enrich peasants, enhance the power and vigor of our agricultural economy, and speed up our agricultural modernization. They must be in line with our overall plans for our national economy and social development, conform to our national industrial policy, be oriented toward both foreign and domestic markets, speed up adjustment of their product mix for the purposes of adapting and developing, and develop marketable products. They must help to further deepen enterprise reform, enhance enterprise management, promote technological advances, raise overall enterprise quality, bring the advantages of flexible mechanisms into full play, enhance competitiveness, improve social supply efficiency, and increase export earnings.

#### **VII. We Must Take Unremitting Steps To Increase Our Aid to the Poor [passage omitted]**

We must continue to emphasize aid to development of poor rural areas in 1991, during the Eighth Five-Year Plan, and throughout the 1990's. A few minority nationality regions, remote mountain areas, karst regions, and areas that have been flooded for reservoirs, which have harsh natural conditions, poor economic, social, and educational development foundations, and great work difficulties, and are located mostly in the southwest and northwest, are still not able to meet their food and clothing needs. As these areas not only have production and livelihood difficulties, but some of them even suffer from problems such as not enough drinking water for man or beast and high levels of local diseases, we must make great efforts to meet their food and clothing needs as quickly as possible. In areas that had begun to meet their food and clothing needs but have then been impoverished by natural disasters, we must continue to help make it possible for peasants to steadily meet their food and clothing needs. In those that are steadily meeting their food and clothing needs, we must place our emphasis on developing key regional industries,



expanding the socialist commodity economy, combining rich counties with rich peasants, and creating the conditions and laying the foundation for thoroughly eliminating poverty.

Years of experience have proved that poverty is a syndrome, which requires a comprehensive development strategy to eliminate. We must now focus on making great efforts to improve production and livelihood conditions and S&T development, make an issue of overall improvement of personal competence, continue to develop a pioneering spirit of self-reliance and arduous struggle among the masses of cadres and peasants, and continue to arouse and rely on all social forces to give aid to the poor. As long as we firmly implement the relevant State Council policies and measures, we will definitely be able to achieve greater successes in aiding and developing poor areas.

#### **VIII. We Must Adapt to New Conditions, Develop New Capabilities, and Improve Our Agricultural Efficiency**

China's agriculture has entered a new phase through over four decades, and the last decade in particular, of development. Its outstanding features are that it provides the basic food and clothing needs of a population of 1.1 billion people, and turns more than 60 percent of our agricultural products into commodities. It might be said that China's agriculture has generally begun to break free from its closed-type small-scale production, and that the items that we produce and exchange are rich and varied. At the same time, it must also be acknowledged that our agricultural development is still faced with very difficult tasks. If we want to gain the initiative in agricultural management under such conditions, we will have to change our traditional ideas, and use modern concepts to examine agriculture, grasp the correct agricultural development directions, and speed up our agricultural development.

Agriculture has now become more complicated, turning into a wide-ranging and complex system composed of many disciplines, sectors, systems of ownership, and varieties. From the perspective of its organizational relationships, agriculture and all rural industries, sectors, and products have become a single entity with mutual restraints and motivations. The relations between agricultural production and circulation, distribution, and consumption have changed completely from what they were under our past closed and semi-closed rural conditions. Our agricultural relations with domestic and international markets are becoming increasingly closer and more sensitive. This means that we have to develop relations with almost all industrial raw material and foreign and domestic trade sectors. Moreover, our agricultural product fields of circulation, processing, and marketing have also become exceptionally complex, being characterized by great quantities, many varieties, short shelf lives, and many fresh products. While people demand timely and steady supplies of agricultural products, agricultural output is seasonal and greatly affected by climatic conditions.

Thus, organizing agricultural production so that it dovetails with public demand and adapts to foreign and domestic market fluctuations, is a very difficult and complex job. Faced with these new conditions, the agricultural sector must take action based on our past achievements to make further advances and develop new capabilities, in order to enhance our policymaking, advisory, and macroeconomic guidance capabilities. As to particular agricultural capabilities, we must gradually emphasize productive forces along with production relations, production along with research and attention to markets and circulation, development along with reform, and policies along with S&T.

Development of new agricultural capabilities should proceed from the Ministry of Agriculture and all major provincial, autonomous regional, and municipal agricultural departments and bureaus. In particular, in addition to emphasizing a normal organizational operating order, we must also mainly emphasize the following key matters that have a basic impact on agricultural and rural development: 1) Political ideology: We must persist in focusing on the four basic principles, conduct systematic studies of Marxist theory, link ideology to professional realities, enhance our political and ideological indoctrination, improve the agricultural sector's organizational, ideological, and professional work, and train a vast army of agricultural workers in the spirit of "dedication to agriculture and service to the people." 2) Policy ideology: We must insist on keeping reforms on the socialist road, stick to the ideological line of being pragmatic and proceeding from reality, ensure that adjustments in production relations stay in line with the development level of our productive forces, uphold the various principles and policies pertaining to the initial stage of socialism, and correctly combine economic planning with market regulation, by guarding against overemphasis of either or the occurrence of deviations or mistakes. 3) Agricultural development: We must emphasize the following two key tasks that affect agricultural development: (a) Agricultural production tasks that are the responsibility of our agricultural sector, such as organization, leadership, planning, management, supervision, inspection, coordination, and S&T research popularization: We are doing all of these jobs, despite their diversity, complexity, and difficulty, and must continue to carry them out well. (b) External climate tasks which, despite their importance to agricultural and rural economic development relations, and that they are our very lifeblood and must be accomplished in any case, are ones that the agricultural sector cannot handle on its own: Thus, we must take an active and driving approach, go down to the grass-roots units, learn conscientiously, report truthfully, make suggestions, proposals, and demands, and cooperate in a positive way with all concerned parties.

Having reaped successive years of bumper harvests will make our 1991 agricultural development task harder instead of easier, because our "base" is bigger and our starting point is higher. It is going to be very hard for us



to maintain in 1991 the good momentum and achievements of the last two years, and will be even harder for use to go a step higher from this base.

We must now "start from zero," and put all of our guiding ideology and mental preparations into a new round of struggle. When drawing up plans and setting quotas, we must not demand "particular improvements along with improvement of the general situation," and it would be unrealistic for us to expect a large increase in production in 1991 and then plan for an even larger one in 1992. What we are calling for are improvements in 1991 and 1992 over the good momentum that we have achieved in "heating up agriculture" over the last two years, and improvements in 1991 and in the future of the good policies and beneficial measures that we implemented in 1990. While natural conditions have been quite favorable over the last two years, we cannot count on them being so ideal and favorable in 1991 or in the future. We can only ensure that agriculture does not experience great fluctuations, by improving our efforts in fighting natural disasters and striving for bumper harvests. Only this will put us in an invincible position.

The documents passed by the Seventh Plenary Session of the 13th CPC Central Committee emphasized putting agriculture ahead of everything else in our national economy, and regarding agriculture as a basic industry to be further strengthened. As we have accumulated considerable experience in rural reform and development, and our agricultural resources have a great development potential, we are full of confidence in our agricultural development prospects. We must continue to display a spirit of development, pioneering, struggle, and dedication, take advantage of favorable conditions, increase our confidence, surmount unfavorable conditions, and make greater contributions in striving for overall bumper harvests in 1991.

#### Import of Cereals, Oils in February

HK0504150891 Beijing CEI Database in English 5 Apr 91

[Text] Beijing (CEI)—Following is a list showing China's import volume of cereals and oils in February 1991, released by the General Administration of Customs:

Item	Unit	Feb. 1991	Feb. 1990
Cereals	Ton	528,737	878,861
Wheat	Ton	519,790	834,241
Soybean	Ton	105	61
Sugar	Ton	64,994	53,266
Animal oils and fats	Ton	3,536	1,123
Edible oil	Ton	12,686	78,915
Other oils	Ton	56,276	52,238

#### Sales of Farm Machinery Up

HK1704063791 Beijing CHINA DAILY in English  
17 Apr 91 p 2

[By staff reporter Wu Yunhe]

[Text] China's farm machinery industry, which takes responsibility for arming the nation's 800 million farmers, is gearing up to increase production and sales.

The China National Agricultural Machinery Corporation yesterday announced that during the first quarter of this year the industry's output value reached nearly 8 billion yuan (\$1.5 billion), up 29 percent from the same period in 1990.

An economist with the corporation said that farm machinery production was stimulated by a sharp increase in bank loans to the agricultural sector this year, which enables the farmers to buy more farm machines.

During the first quarter of this year, bank loans to the agricultural sector increased by 16.1 billion yuan (\$3.1 billion) over the same period last year.

He said that during the first quarter of 1991, the industry produced 16,062 large-sized tractors to meet the demand of the domestic market, an increase of 71 percent over the first quarter of 1990.

In China, large-sized tractors are mainly used for comprehensive agricultural development projects, such as reclaiming waste and marsh lands, and renovating irrigation systems.

The increase in large-sized tractor production reflects farmers' growing interest in purchasing farm machines in order to increase yield this year.

The machine industry also produced 340,118 small tractors during the first three months of this year, a rise of 62 percent from the 1990 January-March period, the economist said.

The farmers mainly use the small, 40 horse-power tractors for working in the fields.

Encouraged by strong financial backing from the government, the economist said, during the first quarter of this year the country's farmers bought 4.5 billion yuan (865 million) worth of farm machines, nearly 40 percent more than in the same period in 1990.

#### Light Industry Ministry Expects Bumper Sugar Crop

OW1604123391 Beijing XINHUA in English  
1207 GMT 16 Apr 91

[Text] Beijing, April 16 (XINHUA)—China is expected to have a bumper sugar harvest during the 1990-1991 sugar production season, with total output reaching 6.5 million tons, a new sugar production record, sources from the Ministry of Light Industry said here today.

The sources said that China is the world's fifth largest sugar producer after the Soviet Union, Brazil, Cuba and India.

The country now has a total of 540 sugar refineries and the ability to process 550,000 tons of sugar daily. Moreover, it has over 1.6 million hectares of sugar crops throughout the country, including about one million hectares of sugarcane.

In the major sugar producing areas of Guangxi and Xinjiang Autonomous Regions and Yunnan and Guangdong Provinces, sugar crops account for more than thirty percent of the cultivated land.

Now, sugar has become one the country's four major crops together with grain, cotton and oil crops.

### Anhui Hybrid Seed Area

91P30123E Hefei ANHUI RIBAO in Chinese  
18 Mar 91 p 1

[Summary] In 1990 the hybrid rice seed area in Anhui Province was 170,000 mu, an increase of more than 56,000 mu over 1989, and gross output of seeds was 20 million kilograms, an increase of 6,260,000 kilograms over 1989. The hybrid corn seed area was 24,000 mu, and gross output of seeds was 1.8 million kilograms. In 1991 the planned hybrid rice seed area is 180,000 mu, and the hybrid corn seed area is 30,000 mu.

### Anhui 1991 Crop Estimates

91P30127B Hefei ANHUI RIBAO in Chinese  
15 Mar 91 p 4

[Summary] In 1991 planned grain output in Anhui Province is 24,500,000 tons; cotton 250,000 tons; oil crops 1,300,000 tons; flue-cured tobacco 102,000 tons; and silkworm cocoons 185,000 tons.

### Anhui 1991 Planned Grain, Cotton Output

91P30124F Hefei ANHUI RIBAO in Chinese 7 Mar 91  
p 1

[Summary] In 1991 planned gross output of grain in Anhui Province is 24,500,000 tons, and gross output of cotton should reach 250,000 tons.

### Guangxi 1990 Agricultural Statistics

91P30124D Nanning GUANGXI RIBAO in Chinese  
28 Feb 91 p 2

[Summary] In 1990 agricultural output in Guangxi increased, and the rural economy continued to develop. According to preliminary statistics, the total output value of rural society was 30.14 billion yuan, up 6.1 percent. The agricultural output value was 22.09 billion yuan, up 6.2 percent from 1989. The major problems affecting agricultural output were weak basic facilities, low productivity, poor circulation of goods, and some farm product procurement prices dropped.

The output of major farm products is listed below:

	1990	Increase Over 1989 %
Grain	14,025,700 tons	7.7
Oil crops	251,900 tons	9.5
Peanuts	242,000 tons	9.3
Sugarcane	15,018,400 tons	6.5
Sugar	1,354,000 tons	16.1
Flue-cured tobacco	29,700 tons	-10.7
Tea	16,400 tons	4.4
Fruit	916,100 tons	22.3

The afforested area totaled 6,368,400 mu, up 9.7 percent from 1989.

The output of major animal products, number of animals in stock, and aquatic products are listed below:

	1990	Increase Over 1989 %
Meat output	1,041,500 tons	13.3
Pork	871,900 tons	13.4
Milk	8,600 tons	3.0
Pigs slaughtered	10,638,600 head	13.4
Year-end number of pigs in stock	17,424,900 head	6.6
Year-end number of large animals in stock	7,308,500 head	4.6
Cows	7,039,000 head	4.6
Year-end number of sheep	805,600	8.1
Aquatic products output	323,500 tons	15.4
sea products	202,700 tons	14.3
Fresh water products	120,800 tons	17.3

Agricultural inputs increased, and conditions for production improved. By the end of 1990, the aggregate power of farm machinery was 7.842 billion watts, up 5.7 percent from 1989. There were 16,400 large and medium-sized tractors, down 7.2 percent; 230,000 small and hand tractors, up 7.3 percent; 15,400 trucks, down 1.0 percent; and irrigation and drainage equipment with a total power capacity of 723 million watts, up 16.4 percent. At year-end the irrigated area was 38,939,000 mu, an increase of 261,800 mu over 1989; 862,400 tons of chemical fertilizer were applied, a 17.4 percent increase; and rural consumption of electricity was 1.26 billion kwh, up 15.2 percent.

The retail sales of the means of agricultural production reached 3.1 billion yuan, up 10.9 percent.

The sales volume of major farm commodities are listed below:

	1990	Increase Over 1989 %
Grain	2,388,100 tons	-8.4
Edible oil	36,000 tons	-24.7
Pigs and pork	3,929,600 head	28.6
Eggs	10,800 tons	14.7
Aquatic products	38,300 tons	12.6
Sugar	319,300 tons	12.3

### Hebei 1990 Corn Exports

91P30124E Shijiazhuang HEBEI RIBAO in Chinese  
26 Mar 91 p 2

[Summary] In 1990 Hebei Province exported 250,000 tons of corn, and earned \$1,320,000 in foreign exchange.

### Henan Crop Procurement

91P30123D Zhengzhou HENAN RIBAO in Chinese  
16 Mar 91 p 1

[Summary] By the end of February, supply and marketing cooperatives in Henan Province had procured 9,700,000 dan of ginned cotton, exceeding the task assigned by the provincial government ahead of schedule; cooperatives procured 1,060,000 tons of grain, one-third of the provincial purchasing order; and cooperatives procured 63,000 tons of edible oil and sold 40,000 tons.

### Henan Cultivated Land Area

91P30127A Zhengzhou HENAN RIBAO in Chinese  
17 Mar 91 p 3

[Summary] The total land area in Henan Province is 250,500,000 mu, but only 104,345,600 mu is cultivated.

### Hubei Advances Rural Technical Contracts

91CE0281A Wuhan HUBEI NONGYE KEXUE  
[HUBEI AGRICULTURAL SCIENCES] in Chinese  
No 12, 5 Dec 90 pp 35-36

[Article by Hu Weihua (5170 7279 5478), Hubei Academy of Agricultural Sciences' Scientific and Technical Research and Development Center; Li Zhuangang (2621 0278 0474), Hubei Agricultural Commission's Science Education Office; and Hu Yingcai (5170 2019 2088), Hubei Agricultural Husbandry Department: "Some Viewpoints Concerning the Development of Hubei's Rural Technical Group Contracts"]

[Text] Hubei implemented rural technical contracts in 1981. At that time only a few technical personnel participated, involving only 313,600 mu of land. By 1984, several years of development had brought these figures to 17,075 participating personnel, and 5.8729 million

mu. In 1985, during the process of party consolidation, a lack of clarity on the technical contract policy caused the virtual ignoring of technical contract service fees; this seriously weakened technical personnel's enthusiasm for technical contracts, so these contracts were at a low ebb for a time. It was not until 1988 that technical contracts in Hubei recovered and began their rapid development, due to implementation of the State Council's "dual blossoming" spirit and the provincial committee and provincial government's "Views on Promoting More Vigorous Work by Technical Personnel." By the end of 1989, there were 21,347 people participating in technical contracts covering 14,5681 million mu in land; this meant an additional 310 million kg of grains, 7.4 million kg of cotton and 7.5 million kg of oil products, which directly created more than 100 million yuan in economic profits, and gave a powerful impetus to the development of Hubei's agriculture.

Although there has been substantial development of Hubei's rural technical contracts in recent years, there still exists the problem of "three too many, three too few." This means that there are too many single-topic contracts, and too few comprehensive ones; too many single-personnel contracts, and too few group ones; and participation by too many technical personnel below the xian [county] level, and too few above that level. There is a great gap between this province and Hebei. Hebei has already converted its single-department, single-personnel, single-topic technical contracts into multiple-department, multiple-topic, multiple-level group contracts. There has been an evolution from technical contracts, which are strictly for production, to contracts that cover the entire production process: before, during and after. They have changed from small-area, short-term, single-topic contracts to large-area, long-term, comprehensive technical contracts. Moreover, they have established a three-in-one contract structure in which leadership is guaranteed, technology is the core, and goods and materials are the foundation. Hebei's experiences have demonstrated that rural technical group contracts are fusing the "three reliances" (rely on policy, rely on science, rely on input) into one organic whole. They are an excellent channel for the dissemination and transfer of scientific and technical results to the rural areas over a wide range. They are the next step to improving rural areas following implementation of the joint production contract responsibility system. They are a strategic measure for carrying out scientific and technical promotion of agriculture, with a close relationship between party and cadres. It is very useful in bringing into full play the scientific and technical promotion of agriculture. To accelerate the pace of Hubei's agricultural technical group contracts, the province's work in this area must be pushed deeper and farther ahead, drawing upon Hebei's experiences, and promoting the following several views in particular:

#### 1. Heighten Understanding, and Formulate as Soon as Possible the Policies and Stipulations Involved in Hubei's Rural Technical Contracts

In looking at the developmental process of Hubei's rural technical contracts, one sees the appearance of a

common phenomenon: a great start followed by a big letdown. One reason for this is inadequate knowledge of rural technical contracts; another is uncertain policies. To resolve these problems, require first of all that leadership at every level become more knowledgeable about rural technical contracts: use this work to deepen rural reforms and perfect the household joint production contract responsibility system; use science and technology to promote agriculture, and increase the stamina of agricultural development; use rural technical popularization work as a breakthrough. Next, as early as possible, formulate policies and stipulations that are relevant to Hubei's rural technical contracts. Encourage and support expert technical personnel at all levels, by forming reserve staff not on salary, resigned staff, concurrent staff and sparetime staff into the first line of contracts. In addition, carry out the "six priorities," i.e., popularization, promotion, evaluation of occupational titles, children taking up unemployment, rural transfer, etc. Third, at the same time that we encourage technical personnel and technical cadres at the level of xian and below to participate in contracts, particularly encourage provincial and local technical personnel and technical cadres to participate in contracts. At present, 33.3 percent of Hubei's high- and medium-level rural technical contingent is concentrated at the provincial and local level, while 22.5 percent are at the xian level and below. The technical personnel in these departments have a high level of expertise, quick access to information, promptly updated knowledge, and are getting close to the point of conducting specialized research. To bring this sector's enthusiasm into full play, there will be a strong push to develop Hubei's rural technical contracts. Fourth, formulate realistic policies, to guarantee fulfillment of contractual service fees and safeguard the legitimate rights and income of contractors.

## **2. Promote the Three-In-One (Governmental, Technical, Material) Rural Technical Group Contract Widely Throughout the Province**

Many years of practical experience have demonstrated that under the present system, science and technology cannot evolve from a latent to an actual production force unless authority, intellect, innate laws and physical strength are unified. If we rely only on scientific and technical personnel, without the participation of leading cadres in organizational coordination, then technical materials cannot be too compatible, technical measures cannot readily be popularized widely, and it will be difficult to fulfill contractual rewards and penalties. Therefore, technical contracts will promote administrative leadership, centered on agricultural departments, with the branches of these departments joined in unified, group contracts. During the development of group contracts, there definitely must be established a leadership consisting of the vice governor for agriculture, specialist personnel, xian (and municipal), village (and township) leaders. There must be a governmental-technical-material rural technical group contract organization in which departments of agriculture, science and technology, supply and marketing, finance, agricultural

administration, insurance, farm machinery, electrical power, petroleum, foodstuffs and fertilizer procurement will all participate. A responsible organization from within the group will provide coordination, formulate technical contract measures and examine the various measures in the contract for feasibility; in addition, the responsible organization will initiate and carry out rewards and penalties. The various departments within the contract group will, through the contracted goals responsibility system, bundle up rights and responsibilities together, twist the governmental, the technological and the material into a single string, and provide impetus to development of rural technical contracts.

## **3. Make an Earnest Effort To Resolve Problems of Technical and Material Compatibility**

In general terms, agricultural production is a process which takes the physiological functions of plants and animals and puts these through cultivation by human labor to obtain a variety of commodities. Therefore, the agricultural production process is a biological process, a process which transforms material and energy. The technology which goes into the process can only accelerate the pace of this transformation; it cannot replace the material which goes into it. To raise the proportion produced, there must be compatibility between the technical and the material. Only in this way can we really maximize the use of technology to spur development of the agricultural economy. At the same time, the material invested must be compatible with the technical before greater benefits can result. Therefore, linking the technical with the material is a key measure in enhancing profits from investment and deeper rural technical contracts. Arrange things in Hubei as they are in Hebei, where there are no shortages of the three linked, material investments of grains, cotton and oils, and in plans a portion of the materials used in agricultural production are specially earmarked for use as material investments in group contracts. At the same time, make good use of flexible quotas and strengthen the work of adopting from outside, to guarantee that the materials invested in contracts will be practical.

## **4. Develop Rural Technical Group Contracts Around the Essentials of Hubei's Scientific and Technical Spur to Agriculture**

The selection of projects for rural technical group contracts must revolve closely around this great goal of spurring agriculture through science and technology, centered upon projects which will have a major effect on the economic development of Hubei and its localities, stressing this point of grains, cotton, oils and development of rural areas. Currently, things will center on major projects which will make the xians of Hubei bases of rich grain fields, double the cotton, bumper harvest plans, spark plans, food and clothing projects, science and technology to assist the poor, unified development of agriculture, and commodity grains. This will open up rural technical group contracts. This will bring into full play the superiority of group contract colonies which are

large scale, widespread, multiple service arms, multi-topic, and cutting across departments and industries.

#### **5. Fulfill Technical Contract Service Fees as Soon as Possible, Clarifying Rewards and Punishments**

Both sides in a rural technical contract must agree to the contract in accordance with the "Law on Technical Contracts," and fulfill the stipulated technical contract service fees as soon as possible; this is the key to successful technical contracts.

Contract service fee fulfillment must be in accordance with the principle of "take the money from the beneficiary," collecting an appropriate portion from the benefiting unit's increased production and increased profits. This collecting can be done via the following several methods: first, when there are large quantities of crops bringing lower profits from grains, cotton and oils, and high benefits to society, collect the contract service fees from the profits of the economic management department. Second, in places where the village and township industries are more developed, fees can be paid from industrial supplementary agricultural funds. Third, in places which assume contracts for projects, an appropriate portion (10 to 20 percent) can be collected as the contract service fees. Fourth, in older, impoverished areas, collect the contract service fees from the xian administrative funds. Fifth, on highly efficient, technologically strong projects, such as vegetables, fruits and other economic crops, collect the contract service fees directly from the peasants themselves. Whichever method is adopted should fulfill the contract agreements promptly.

Distribution of contract service fees should not be egalitarian, but should adhere to the principle that scientific and technical personnel and grass roots personnel receive the lion's share. There must be: a correct handling of the relationships among the state, the collective and the individual; a correct handling of the profit relationships among the several components in the group; a correct handling of the various aspects of relationships between scientific and technical personnel and units. At the same time, realistically unite responsibilities and rights, create rewards and penalties, clarifying them, so as to express the serious nature of the agreements.

#### **6. Strive To Commend Those Personnel of All Classes Who Have Made Outstanding Contributions in Rural Technical Group Contracts, and Throughout the Province Create a Societal Atmosphere of Whoever Contracts Will Be Respected and Honored**

Make a major effort to commend those contractors who make outstanding contributions, issuing certificates of commendation and bonuses, and recognizing model workers. Promote scientific and technical personnel who have made especially noteworthy accomplishments to mobilize scientific and technical personnel's enthusiasm for participating in group contracts. At the same time,

resolve scientific and technical personnel's material benefits and remuneration, guaranteeing essential work and living conditions, so that contracting personnel will have no worries at home.

#### **Hunan 1991 Agricultural Loans**

91P30122E *Changsha HUNAN RIBAO in Chinese*  
9 Mar 91 p 1

[Summary] In 1991 Hunan Province will increase agricultural loans by 1.9 billion yuan, and the total amount will reach 11.3 billion yuan, a 20 percent increase over 1990.

#### **Agriculture, Livestock Value Up in Inner Mongolia**

SK1604014691 *Hohhot Inner Mongolia Regional Service in Mandarin* 2200 GMT 15 Apr 91

[Summary] In 1990, the region's agricultural and livestock output value reached 15.52 billion yuan, 1.45 times the 1980 figure of more than 3 billion yuan. [figures as heard]

#### **Commentary on Jiangsu's Agricultural Development**

OW1904053591 *Nanjing Jiangsu Provincial Service in Mandarin* 1015 GMT 12 Apr 91

[Commentary by station reporter (Li Zhiwu): "Increasing Land Productivity Is the Key To Stabilizing Growth in Food Grain Production and Increasing Revenue"]

[Text] The provincial agricultural department recently proposed actively promoting the multiple cropping farming system consisting of two nonirrigated crops of wheat and barley, and one irrigated crop of paddy (multiple cropping system,) throughout the province on a large-scale this year; and to work hard to further increase food grain output, in order to pave a new way for the agricultural sector to increase its output and revenue during the 'quality, variety, efficiency' year. This is truly a wise move.

In the last few years, Jiangsu Province's population grew about 1 million annually, while the farmland has decreased by some 200,000 mu; in addition, the large quantity of feeds needed to be brought in from other provinces each year, as such, the conflict between man, land, and food grain, has become a rather acute problem in Jiangsu's agricultural development. The task of making agricultural output scale a new height and fulfill the provincial party committee's and the provincial people's government's requirement for a stable food grain production growth, is very difficult. We should, first and foremost, fully exploit the production potential of existing agricultural resources and work hard to increase land productivity, in order to ensure a stable growth in food grain production.

According to sources, all types of 'multiple cropping system' farming area implemented throughout the province has reached about 700,000 mu. The 'multiple cropping system' implemented in (Dongshe Village,) Nantong county, achieved an average output increase of 310 kilograms per mu, annual output of 1,224 kilograms per mu, and an increase in return per mu of about 63 yuan compared with the traditional wheat and paddy two-cropping system. Actual results achieved in many areas show that the new 'multiple cropping system' has become an important method by which to increase output and revenue, and to improve the agricultural sector's economic efficiency.

At present, the area of 'multiple cropping system' implemented in the province has increased by some 110,000 mu from last year, thus, overachieving the target of the provincial people's government's of 100,000 mu per year. The majority of counties and cities have formed leading groups for development and utilization of 'multiple cropping system,' and technical assistance groups for the implementation of 'multiple cropping system', which have effectively accelerated the development of the system. The 'multiple cropping system' is now an important measure in the entire province's agricultural reform, and has been made a major project to be actively promoted in the province during the Eighth Five-Year Plan. As such, the people's government at all levels should attach importance to the matter and treat it as a strategic task. Relevant departments in all localities must render their support in aspects such as funds, land, chemical fertilizer, planning, and personnel, and make contribution toward gradually developing a stabilized, high-output agricultural sector for Jiangsu Province.

### 1990 Jiangxi Aquatic Products Output

91P30122F Nanchang JIANGXI RIBAO in Chinese  
21 Mar 91 p 1

[Summary] In 1990 gross output of aquatic products in Jiangxi Province totaled 306,824 tons, fulfilling 102.27 percent of the annual plan, and was a 9.3 percent increase over 1989.

### 1990 Rice Exports Double in Jiangxi

91P30124B Nanchang JIANGXI RIBAO in Chinese  
19 Mar 91 p 1

[Summary] Jiangxi rice exports increased from 60,000 tons in 1989 to 120,000 tons in 1990, and earned \$23,770,000 in foreign exchange. Switzerland and Romania were among the importing countries.

### Jiangxi Cotton Area

91P30124C Nanchang JIANGXI RIBAO in Chinese  
20 Mar 91 p 1

[Summary] As of the beginning of March, the sown cotton area in Jiangxi Province was 1,610,000 mu, an increase of 110,000 mu over the planned area, and an increase of 490,000 mu over 1990.

### Jiangxi Rice Area

91P30124A Nanchang JIANGXI RIBAO in Chinese  
17 Mar 91 p 1

[Summary] As of 17 March, the early rice area in Jiangxi Province was 22,690,000 mu. It is estimated that the early hybrid area in Jiangxi this year will exceed 9 million mu, accounting for 42 percent of the early rice area.

### Rice Procurement, Storage Capacity Up in Jiangxi

91P30123B Nanchang JIANGXI RIBAO in Chinese  
10 Mar 91 p 1

[Summary] By 10 February, Jiangxi Province had procured 6.175 billion kilograms of rice, an increase of 788,500,000 kilograms over the same period in 1990.

In 1990 Jiangxi grain departments solved farmer grain-selling problems by expanding sales and storage facilities. Jiangxi grain sales within and outside the province exceeded 1.3 billion kilograms. Grain storage capacity increased by 2.5 billion kilograms, and edible oil storage capacity exceeded 15 million kilograms.

In 1990 feed output in Jiangxi was 1,060,000 tons.

### Jiangxi Grain Storage

91P30123A Nanchang JIANGXI RIBAO in Chinese  
23 Mar 91 p 1

[Summary] At the end of February, Jiangxi Province had 7.5 billion kilograms of grain and edible oil in stock.

### 1995 Grain Output Forecast for Sichuan

91P30123C Beijing JINGJI CANKAO BAO in Chinese  
29 Mar 91 p 1

[Summary] In 1995 planned grain output in Sichuan Province is 45 billion kilograms, and by the year 2000 grain output should reach 50 billion kilograms.

### Sichuan 1991 Planned Wheat, Rape Procurement

91P30127D Chengdu SICHUAN RIBAO in Chinese  
17 Mar 91 p 2

[Summary] In 1991 Sichuan Province plans to procure 3 billion kilograms of wheat and rape.

### Yunnan Rural Savings, Loans

91P30123G Kunming YUNNAN RIBAO in Chinese  
1 Mar 91 p 1

[Summary] At the end of January, rural saving deposits in Yunnan Province totaled 4.998 billion yuan. In January Yunnan agricultural banks and credit cooperatives issued 283 million yuan in agricultural loans, an increase of 120 million yuan over the same period in 1990.

**Edible Oil Procurement Up in Yunnan**

*91P30123F Kunming YUNNAN RIBAO in Chinese  
1 Mar 91 p 1*

[Summary] As of 30 January, Yunnan Province had procured 24,480,000 kilograms of edible oil, an increase of 15,770,000 kilograms over the same period in 1989, and exceeded the state procurement task by 25.5 percent.

**Yunnan 1991 Crop Estimates**

*91P30127C Kunming YUNNAN RIBAO in Chinese  
17 Mar 91 p 2*

[Summary] In 1991 planned grain output in Yunnan Province is 10,650,000 tons; oil crops 140,000 tons; flue-cured tobacco 400,000 tons; sugarcane 6,900,000 tons; tea 50,000 tons; and meat output 800,000 tons. The planned grain area is 54,330,000 mu; oil crop area 1,900,000 mu; flue-cured tobacco area 3,000,000 mu; and sugarcane area 1,800,000 mu.

### Cultivating Minority Nationality Cadres

91CM0170A Hong Kong LIAOWANG [OUTLOOK]  
OVERSEAS EDITION in Chinese No 51, 17 Dec 90  
pp 14-15

[Article by Hua Juxian (5478 5468 0103): "China Emphasizes Cultivating Minority Nationality Cadres"]

[Text] Actively cultivating minority nationality cadres is an important means by which China supports equality for minority nationalities, implements the policy of self-government in minority nationality regions, strengthens the unity of each minority nationality, and makes their prosperous development practical.

#### Guarantees in Laws and Policies

Cultivating minority nationality cadres is an important job for the Chinese government. It is thoroughly supported by national laws and policies. When New China was first established, the central people's government promulgated the "Preliminary Guiding Principles for Cultivating Minority Nationality Cadres" and the "Preliminary Guiding Principles for Planning and Sponsoring the Central Nationalities Institute," which defined a great many plans for cultivating minority nationality cadres.

The "Law of Regional Autonomy for Minority Nationalities" passed in 1984 stipulated that the formation of organizations for minority nationality regional autonomy must rely primarily on minority nationalities carrying out regional autonomy, thereby legally guaranteeing the use of minority nationality cadres.

Regional autonomy for minority nationalities is China's basic policy for solving the nationality problem. By the first half of this year, China had already established 159 minority nationality autonomous regions. Of the country's 55 minority nationalities, 45 have implemented regional autonomy; this accounts for over 77 percent of the total minority nationality population. Presently, the positions of chairmen and vice chairmen of the standing committees of the minority nationality autonomous regions' People's Congresses, chairmen of the autonomous regions, and magistrates of autonomous prefectures and counties are all filled by citizens of autonomous regions. Other members of the governments of autonomous regions, prefectures, and counties are mostly people who have been deployed to implement regional autonomy.

The "Law of Regional Autonomy for Minority Nationalities" also laid down similar regulations for fostering technical cadres from among minority nationalities. These regulations provide legal guarantees of the rights of minority nationality cadres to be deployed and assisted in autonomous regions.

Recently, the proportion of minority nationality cadres at every level in minority nationality autonomous regions has been gradually increasing. In the five counties of Puge, Xide, Butuo, Zhaojue, and Meigu in

Sichuan Province's Liangshanyi Minority Nationality Autonomous Prefecture, 55.3 percent of all cadres are minority nationality cadres. Elsewhere, minority nationality cadres are gradually becoming the principle part of leading groups at all levels. For example, in China's Yunnan Province, where minority nationalities are most numerous, 62 percent of cadres in prefectural leading groups in eight autonomous prefectures are from minority nationalities, and 58 percent of cadres at the county level in 28 autonomous counties are from minority nationalities. There are over 27,000 minority nationality cadres in the Tibet Autonomous Region, and 97.8 percent of them are Tibetan. In China's most powerful institution, the National People's Congress, all previous sessions have had minority nationality delegates, standing committee members, and committee vice chairmen. Similarly, each session of the Chinese People's Political Consultative Congress has had minority nationality cadres elected as committee members, standing committee members, and vice chairmen. Quite a few minority nationality cadres work in departments of the State Council, and some hold positions of responsibility. There is a proper proportion of minority nationality members and alternate members in the CPC Central Committee, the Central Advisory Commission, and the Central Commission for Discipline Inspection.

#### Many Channels of Support for Minority Nationality Cadres

Starting in 1951, China established the Central Nationalities Institute in Beijing, and later established 11 branch institutes in the northwest, southwest, and south central regions, and in Yunnan, Guizhou, Qinghai, Guangdong, Guangxi, and Tibet. From 1951 to 1988, these minority nationality institutes trained 150,000 minority nationality cadres and technicians of all types; of this number, 24,000 were trained by the Central Nationalities Institute.

Ethnic classes have flourished in every type of academy in China. China's high-level party school—the Central Party School—has classes to train the minority peoples of Tibet, Xinjiang, and Taiwan. From 1977 to 1990 alone they trained over 2,200 upper- and middle-level minority nationality cadres. Minority nationality cadres are at the All China Women's Federation, the Central School of the China Youth League, 36 major universities, and at a substantial number of institutes and schools, including medical, health, art, and political institutes.

Minority cadres who start short-term and on-the-job training receive continuous attention from the central government. Particularly after the Third Plenary Session of the 11th CPC Central Committee, cadre training bases were clearly developed, established, or restored, and gradually they became a network of cadre training schools. According to 1988 statistics, over 1,000 minority cadre training schools were already established in the autonomous regions of Inner Mongolia, Xinjiang,



Ningxia, Guangxi, and Tibet, and in three provinces with numerous minorities: Guizhou, Qinghai, and Yunnan.

With many channels of support, the cultural level of minority nationality cadres has clearly risen. In a sample survey of some districts, 40 percent of cadres had attained education at the university or polytechnical school levels; and the proportion of minority nationalities among technical cadres has grown over the years—by 1987 there were 1.07 million such cadres, or 62 percent of all cadres. This was an increase of 559 percent over the number in 1977. China's 55 minority nationalities all have their own technical cadres. It is especially gratifying that a group of talented and upstanding female minority nationality cadres has emerged and risen to leadership positions at every level. As of 1989 there were 42,000 female minority nationality cadres in the Inner Mongolia Autonomous Region, accounting for 33.9 percent of all minority nationality cadres in that region.

### Increased Rate of Divorce Explained

91CM0221A Shanghai SHEHUI [SOCIETY]  
in Chinese No 70, 20 Dec 90 pp 29-31

[Article by Bao Ning (7637 1337): "Divorce—A Skewed Social Phenomenon"]

[Text] Like an uncontrollable flu epidemic, divorce is rampaging through some families in metropolitan areas.

Western, open ideological thought and the even newer notions about marriage held by gaudily dressed men and women have merged into a hurricane that is hitting every family. People marvel that the division of a family and the breakup of a marriage could occur so frequently and easily.

Just after the 1989 Spring Festival in Shanghai—the biggest coastal open city—the civil administration, the department that authorizes marriages, announced divorce facts for the entire city for the first time. They released startling figures to the media world: in the previous five years, the total number of uncontested divorces in Shanghai surpassed 10,000, reaching more than 13,000.

Moreover, in 1989 the number of divorces in Shanghai continued to soar, like the temperature in a torrid summer. According to our understanding, in 1990 there were more than 6,000 uncontested divorces in the entire city, an increase of 27 percent over 1988 figures. Some individual districts saw increases of 50 percent. This fully demonstrates that the number of divorces in Shanghai is continuing to rise.

Because of this, sociologists are sounding the alarm that the existence and stability of the "happy family" faces a crisis.

"A little 'walled city' is alienating affections between husband and wife." That day, in a certain district's

marriage registration bureau, an elderly clerk sighed, "Now the winds of gambling are swirling through society. Not only does this have serious aftereffects, such as crime, but it also destroys countless harmonious families."

A certain factory worker became addicted to gambling. After only three days of marriage, he abandoned his bride on their honeymoon to play cards all night with gambling cronies, often not returning for the night. The result was that, after one year of marriage, he was sentenced to reeducation-through-labor and turned over to the custody of a reform-through-labor camp. Having served his sentence, his loving wife begged him tearfully to stop, but it was in vain. Because he would not mend his old ways, he was arrested again at a gambling session, and once again sent to a reform-through-labor camp. His good wife, unable to bear it any longer, resentfully divorced him.

On a snow-filled, bitterly cold winter day the young man, his hand trembling, signed his name to the divorce papers sent by the "government brigade leader." Through a barred window, he watched his wife walk unsteadily away across the uneven, white-blanketed ground. As she gradually faded away, he suddenly realized that he had committed an unpardonable crime against her.

Gambling is not a male's "special prerogative." In big avenues and little alleys, mothers, grandmothers, older women, and one's contemporaries spend many a night with the clacking sounds of thrown mahjong tiles. Of course, their little games do not undermine their constitutions. However, in examining divorce proceedings, we were startled to discover there were quite a few family breakups caused by women who became infected by gambling.

A female textile worker was a docile, "good woman," and there was deep affection between her and her husband. Later, at occasional social gatherings, she learned to play mahjong and was "dragged out to sea." Thereafter, once she started she could not pull back, drunk on the 144 mahjong tiles. It changed from a "small pastime" to an inability to quit, and it developed into absenteeism from work in order to gamble at home, into neglect of her children, and into ignoring family matters. Her husband, seeing her stray off the path, was extremely worried and tried every means of talking her out of it, but she would not listen. Later, under impossible conditions, he took the painful way out, giving his wife a stern warning, hoping she would wake up. But the wife had sunk too deeply and could not turn back. With extreme sorrow and despair, the husband parted ways with her.

The gambling "sea" has no bounds, sinking many marriage vessels. Data from a certain district's marriage registration bureau showed that more and more couples divorce because of gambling. In 1989, 10.3 percent of the district's divorces were due to this.

"Emigration fever" is rising daily, radiating out to swallow and burn a number of stable, small families. In order to leave the country, many loving married couples that only yesterday chirped loving, sweet nothings to each other become passing strangers at a moment's notice. In the records, cases of divorce due to emigration are also quietly increasing.

In one district's marriage registration bureau there were more than 10 such cases in a mere quarter of a year.

According to presentations by some divorce officials, the nature of family breakups due to emigration varies. Some fear that a family would be an obstacle to getting a visa; they want to discard excess baggage and "go to the front travelling light." Some are like a phoenix perched up high that sees something new and immediately wants to abandon the old. Still others want to use marriage as a springboard for going abroad, undergoing a "third reincarnation." An official even told this writer that, of those divorcing in order to "live and work abroad," women outnumber men, and more than 50 percent of their marriages are less than three years old.

Colleagues of a certain radio factory statistician had always regarded her marriage as a model for the ideal family. She and her husband not only had similar ambitions and aspirations, and common work and interests, but they also treated each other respectfully, as if each were a guest. Their well-ordered family life was rich and colorful. Yet, as their little craft of life rode the winds and currents, the tornado of "emigration fever" swirled toward them. In no time, the heart of the lady of the house churned like boiling water. The female statistician was skilled in arithmetic, and after going through a spate of scheming, she could not hold back her yearning to go abroad, and she decided to carry out her "great plan" to "move eastward." After she had accumulated enough money and had circled the consulate with the flag of the rising sun several times, she concluded that her family had become a "stumbling block." Without batting an eye, she thrust a divorce application into her husband's hands, citing "temperamental differences." Pity this "model husband"—he had not yet awakened from the happy feeling of being part of a loving couple when he was thrust among the ranks of the divorced.

Sex is a normal human physical need. Sex outside normal marriage has been around since ancient times; the common people refer to it by the derogatory term "fooling around," and sociologists call it the insertion of a "third party." Recently, there is yet another new term, the "extramarital affair."

According to those concerned, 33 percent of divorces are attributed to either or both spouses meeting an outsider and getting a divorce. "Extramarital affairs" have become one of the important reasons for the breakup of marriages.

A certain female hardware factory worker would have been drowned several times over according to feudal

tribal rules. Before she was married she had engaged in improper sexual relations with a few young men, and had been punished. Logically speaking, she should have mended her ways and become a proper housewife after marrying; however, the fire of her desire was not extinguished. After her marriage, there were times when she did not spend the night at home, but slipped under the bed covers with married men two or three times a week. She created one scandal after another, so that her husband could not hold his head high. Her husband pleaded with her time and again, and even angrily whipped her, all to no avail. Finally, Public Security caught her in the act of sleeping with yet another uncivilized man, and she was sent to be reeducated through labor. Feeling the two emotions of shame and resentment, her husband hurried to the reform-through-labor camp and "cut" the legal spousal relationship.

In common terms, one could say that this woman was an old hand at "depravity." Nevertheless, some of those who "meet outsiders" evoke sympathy; even her husband could not bring himself to criticize her. As far as she was concerned, we can say that this kind of pain is deep and lasting. There was a female factory worker at an electrical equipment plant who had experienced a happy, loving life. She met her present husband in a small, remote mountain village during the powerful movement to take educated urban youths to work in the countryside. The hard life and heavy farm work helped them grow from acquaintances to confidants. The distance between their hearts shrank more and more, and they established pure, sincere feelings in the midst of suffering. Of course at the time, they were materially and spiritually poor, but they felt a kind of contentment in their own little world that they had never felt before. Later, in the period when people flowed back to the cities, they followed policy, and both returned home to the banks of the Chang Jiang. Not long afterward, they again set up a happy and warm home. Who could know that pain was stealthily raising its head? Because the man had been injured working in the village and was physically weak, the husband and wife's sex life was not harmonious, to the extent that he could not accept his wife's hot passion. This female worker, in inner torment but unable to say so out loud, gradually deteriorated in spirit. At this time a male in the same shop discovered this "secret" and offered expressions of "concern" for her. This female worker finally could not withstand the seduction. One spring afternoon, after three cups of "Maiweisi" [0724 5019 1835] brandy flowed into her troubled stomach, her previously established line of defense was completely demolished, half through pushing and half through drowsy acquiescence. From then on, she could not turn back. In Shanghai's various nocturnal parks, one could usually see the stealthy shadows of their trysts. They even told many sweet lies, often taking "love" tours to scenic places. It was as if she had regained her youth and was 18 again. However, not long after, their secret adultery was finally discovered. Her husband did not rant and rave, let alone seek out the "third party" to have things out. Instead he calmly

produced a divorce application and silently put it on her dresser, ending their little family's history.

A responsible official at a district marriage registration bureau told us that, while "extramarital affair" divorces still encounter disapproval on the whole, there is no lack of those with sympathy and pity. According to his analysis, such cases have these characteristics: First, more married women meet outsiders than do married men. Second, more people of lower educational and work skill levels meet outsiders. Third, some spouses had had improper sexual relations before marriage. He said that there were also those who had had love affairs with others before getting married, so that after getting married there were still ties to the original lover. There were even some couples in which the husband had physical ailments or the age difference was too great; this affected normal married life, so that the woman went outside to find certain emotional satisfaction. Thus he encouraged reinforcing moral education and wider dissemination of sex education so as to reduce tragedy's continuation within the happy family.

Tolstoy said that each unhappy family has its own individual unhappiness. The reasons for family breakups vary, but at marriage bureaus we discovered that in recent years, as divorce cases continued increasing, the following facts were most common: First, the couples were young. Second, the marriages were short in duration. Third, many couples had a marriage permit but had not yet made it official. In analyzing a district's divorces over half a year, it was discovered that almost 30 percent of the men and almost 40 percent of the women were under the age of 30. Also, 18 percent of the marriages had lasted less than two years, 32.6 percent had lasted between three and five years, and the shortest had lasted mere months. Finally, 23 percent of those analyzed had picked up a marriage permit, but had not yet been legally married; the marriage "fell through" before they had set up a family properly.

Divorce is regarded as a normal social phenomenon, although it has been dressed up in all kinds of costumes and changed until it was unrecognizable. Now it has returned to its original social position, enabling many dead marriages to end their painful histories. Divorce has finally shown its original face, and one can be happy about that. But we cannot help looking at it seriously, as the number of those divorced and the dissolution of small families continues to rise, creating a series of sociological problems and a chain of turbulence for society.

Granted, divorce is no demon. If there is marriage, there is divorce; if there is freedom to marry, there is freedom to divorce. Yet after all, divorce is a kind of pain: it is the denial of feelings. When one personally destroys the marriage "masterpiece" one has created, the psychological burden for each person, whether one is strong-willed, cold as ice, or without sentiment, cannot be very light or easy. Man lives only once, and one man's history is short. Thus we must do our utmost to avoid this kind of

divorce spirit, wasted feelings and material, and damage to the next generation. On this point, those who strive for happiness, tranquility, and harmony must work hard together.

### Regionalism in Legal Proceedings Examined

91CM0245A Shanghai FAXUE [JURISPRUDENCE]  
in Chinese No 110, 10 Jan 91 pp 6-8

[Article by Zhang Yingda (1728 5391 6671): "Controversies Over the Issue of How To Overcome Regional Protectionism in the Administration of Justice"]

[Excerpt] In recent years, a kind of regional protectionism that pitches one locality against another, similar to that in the circulation sector, has penetrated the state's judicial organs and is spreading, growing, and becoming a menace to society. This article offers some crude opinions on the issue based on what the Harbin City courts have encountered in the trial and adjudication of economic cases in the last two years.

### I. The Manifestations and Dangers of Regional Protectionism in the Adjudication of Economic Cases

Regional protectionism in the enforcement of economic laws refers to the way the people's courts try and adjudicate economic dispute cases. They often act in narrow, local interests, violate the economic adjudication principles of "equality and mutual benefit, reaching unanimity through consultation, and compensation through exchange of equal value," and tend to be partial to local litigants at the expense of the interests of out-of-town parties involved in the cases. Regional protectionism which has affected us deeply in the last two years through the courts' economic adjudication activities generally manifests itself in the following ways:

First, fighting over jurisdiction and trying the same cases over and over again: Some courts make use of the flexible rules in the Civil Procedure Law regarding jurisdiction over economic contract dispute cases and make every effort to bring those cases involving the interests of local enterprises to the local courts where local litigants have an edge. Some courts know very well that some cases have already been set for trial in other courts which indeed have jurisdiction, but they still would risk violating the law and reopen and reclose the cases locally.

Second, raising obstacles and making things difficult: Some local courts would deliberately put up obstacles and make things difficult for courts outside of the area where local enterprises have lost their cases to make it impossible for the cases to be tried or dealt with any further.

Third, favoring local litigants and being deliberately unfair: Some local courts deliberately ignore the facts and the truth when trying economic dispute cases and make obviously unfair judgments.

Fourth, accepting cases entrusted to them but ignoring those cases: The law has explicit rules regarding local courts entrusting certain dispute cases to one another, but many local courts entrusted with these cases often ignore them, refusing even to acknowledge them. Based on incomplete data gathered in the city courts and three district courts, only 18 percent of the legal documents and cases entrusted to out-of-town courts were handled properly.

Fifth, employing trickery and resorting to deception: Some local courts would resort to fraud to protect the illegal profits of local parties involved in the cases. For example, a county court once brought out a written judgment and enforcement procedure seeking cooperation in enforcement from another court which gladly obliged, but in fact the case was being appealed, and the written judgment had no legal effect.

Sixth, handling a case in another locality is next to impossible: In the last two years, whenever Harbin's second-instance court sent people out of town to handle some court cases and sought help from local courts, comrades from those courts would react coldly and even made life difficult for them and made every excuse to refuse to help.

Today, regional protectionism in the enforcement of economic laws is very serious, and to different degrees, it has become prevalent. If allowed to go on, the consequences will be unthinkable. First, it will ruin the unity of the state's legal system. China's socialist legal system is the centralized reflection of the basic interests and the unanimous will of the people of all nationalities. Once promulgated, the country's Constitution, laws, and decrees must be strictly obeyed by all localities. But regional protectionism has put narrow local interests above the interests of the country. It tramples the socialist legal system and ruins the unity of the socialist legal system. Second, it seriously compromises the authoritativeness of the law and ruins the reputation of the people's courts. Holding in their hands valid written judgments which cannot be enforced, some litigants lamented, "It looks like the law is less reliable than personal ties." Last year, Harbin City's courts saw a 64 percent drop in the economic dispute cases they normally handled. One of the main reasons was that the creditors were of the opinion that litigation was a waste of time and money—all they would win was a piece of paper. Third, it disrupts the socialist economic order and seriously undermines the development of the planned commodity economy. Due to regional protectionist tendencies in the economic realm, the localities are putting up economic blockades, contradicting the state's guiding principle of establishing one big national unified market that integrates the planned economy with market regulation. There are two extremely irrational and very abnormal phenomena in today's economic activities: 1) Some enterprises do not seek survival and growth by improving management, establishing credibility, or producing "prestigious, superior, unique, and new" products; instead, they resort to trickery, substitute inferior

for superior products, renege on their contracts and default on their accounts, and use other means to obtain improper profits. 2) Creditors must humble themselves and keep on compromising and yielding to the debtors who act arrogantly and demand harsh terms. As a result, enterprises which have been victimized have developed a fear of doing business out of town, which has slowed the lateral economic flow. Engaging in regional protectionism often gets one enmeshed in a web of one's own spinning. There may be short-term gains, but one will always lose at the end. Fourth, stability and unity are being undermined. Some enterprises which have been victimized by judicial regional protectionism are in financial ruins because their legal rights and privileges are not being protected, and they are on the verge of closing down. Some people from the Harbin courts were beaten by people from the enforcement units when they were on out-of-town assignments. Some of the beatings were probably the doing of local courts there. Lastly, regional protectionism has corrupted social values as well as the cadres. In short, it has become imperative that we overcome regional protectionism now.

## II. What We Are Doing To Curb Regional Protectionism and Why

Influenced by departmentalism and regional protectionism, Harbin's court system is not entirely blameless, because we too work and live in the spring tide of the transition from the old to the new system and the development of the commodity economy. In recent years, especially, Harbin has had its share of economic problems and financial shortfalls, and it urgently needs our contribution to bring about an economic recovery. But we must act in the spirit of the National Conference on Court Proceedings and make every effort to rid ourselves of the influences of regional protectionism and departmentalism, and in practical work, we must uphold the "six samenesses":

First, whether the litigants are local or not, so long as they are under our jurisdiction, they should get the same attention.

Second, whether the plaintiffs are local or not, they should get the same fair judgment.

Third, whether the litigants are local or not, their legal rights and privileges should receive the same legal protection.

Fourth, whether we are handling a case entrusted by an out-of-town court or a case of our own, they should receive the same serious attention.

Fifth, whether we had any previous dealings with the people on assignment from another court or not, they should receive the same hospitality.

Sixth, whether manifested by local departments or out-of-town courts, regional protectionist tendencies should meet with the same resistance from us.

Our hard work to curb regional protectionism has produced some results. This is due largely to the understanding and the support of the party committee, the People's Congress, the government, and the higher level courts. Of course, we have not done enough, and despite this, we have already run into many difficulties, obstacles, and criticisms, and we have many untold problems of our own.

The first untold problem: We are often censured by the relevant local departments. When we try to be fair-minded and act impartially according to the law when handling a case where an out-of-town plaintiff won or help an out-of-town court enforce a judgment on a local resident who has lost a case, we are often criticized by the relevant local departments for "siding with the enemies" or "failing to protect local interests." Besides the psychological strain, the greatest concern is about jeopardizing the relationship with the various departments concerned which can make things difficult in the future.

The second untold problem: Our own cadres are complaining. Our efforts to be rid of the interference of regional protectionism have been lauded, but when our cadres go out of town to work on cases, they are treated with hostility, and they are quite bitter and complain that our insisting on "acting in the interest of the country as a whole" is only making life impossible for ourselves. If this phenomenon is allowed to persist, it will very possibly lead to a vicious cycle of regional protectionism.

The third untold problem: There is misunderstanding among the fraternal courts. We have refused to cooperate with some fraternal courts that had tried cases in Harbin because of their improper legal procedure or their clearly regional protectionist tendencies, and they have resented us since and accuse us of engaging in regional protectionism too, and some have even adopted illegal tactics to put pressure on us.

### **III. The Root Causes of Regional Protectionism and Some Tentative Ideas**

Regional protectionist tendencies in economic adjudication have complicated and profound social and systemic causes:

First, current ideologies and legal concepts are not compatible with the objective needs of reform and opening

up and the new order of the socialist commodity economy. Many leading cadres of the administrative and law enforcement departments have a blunt sense of nationalism and legal concept and are still clinging to the old ideas of feudal separatism. They have distorted the true meaning of "serving a term in office and bringing some good to the local people," and in seeking local benefits, they sacrifice the interests of other localities.

Second, the prevalence of regional protectionism is related to the current financial system. Currently, the state is practicing a financial contract system whereby each level is "eating out of separate pots" under the state's unified planning. A locality's financial well-being is dependent on the local enterprises' economic efficiency and the amount of profit tax retention, and, in turn, its financial health directly affects local construction and improvement in the local living conditions. In order to protect local interests, some senior administrators would interfere with the courts' impartial judicial activities. Some local administrative leaders would publicly lecture the courts and warn that "I will personally go after whoever awards local assets to outsiders."

Third, the judicial organs' current management system is incompatible with the courts' legal status and functions. According to relevant stipulations in the Constitution and the Organic Law of the People's Courts, administrative organs should not interfere with the people's courts' judicial activities. But this is not so in reality, because the courts' current management system, that is, personnel assignments, funding for casework, supplies and facilities, working conditions, and even the benefits and wages of cadres and policemen, is controlled by an administrative organ of the same rank. It is impossible to make the courts' judicial activities completely independent under the circumstances.

Fourth, the legal system is imperfect, and some regulations have fallen behind the times. For example, the regulation in the "Civil Procedure Law (Trial)" pertaining to jurisdiction over economic dispute cases and the stipulation that the people's court of the subject of a judgment should assist in the enforcement of that judgment not only give courts that harbor regional protectionist tendencies an opportunity to take advantage of the law, but also create many problems for courts that have the responsibility to assist other courts. [passage omitted]

### Development of Navy's Ship-Based Aviation

91CM0302A Beijing JIANCHUAN ZHISHI [NAVAL AND MERCHANT SHIPS] in Chinese No 12, 8 Dec 90 pp 8-9

[Article by Zhu Bin (2612 2430): "A Look at the Ship-Based Aviation of the Chinese Navy"]

[Text] During the 1 August celebrations this year, news media in the capital devoted a lot of coverage to a particular person—Huo Xiaocai [7202 2400 2088]—a member of China's first generation of special-class ship-based pilots. I became very interested in the ship-based forces of China's Naval Air Force, so I immediately visited the unit and learned a lot of little-known stories.

### Moving From Coastal Bases to the Sea

It was the final winter of the 1970's, and the world seemed frozen solid, but a charge of warmth was pulsing through the hearts of Guo Wencai [6753 2429 2088], Wang Yun [3769 1926], Huo Xiaocai, and five other pilots in a certain regiment in the Naval Air Force. They had the honor of being named to the first group of pilots in China's Naval Air Force to train for landing aboard ships. For a variety of reasons, China had not done anything toward developing a ship-based air force in the 30 years since the Navy had been founded.

On this day, the skies over the airfield were a crystal-clear blue. Huo Xiaocai arrived very early, made a thorough inspection of his helicopter, and climbed into the pilot's seat. The flight mechanic got in and closed the door. The ground crew quickly spread out along either side of the helicopter and stared intently at Huo Xiaocai. The entire airfield was enveloped in an atmosphere of tension.

Huo Xiaocai understood all too well that this trip was different from all the training sessions of the past. This time he was to break new ground for China's Naval Air Force. He was even more aware that landing a helicopter on a ship was easier said than done. He had once read that the U.S. Navy had crashed nearly 100 helicopters in such landings.

After receiving the order to take off, Huo Xiaocai lightly raised the pitch, softly pushed the control stick, and the aircraft slowly left the ground, lowered its nose, and roared off into the sky heading east. He flew accurately along the preset flight path and quickly found the deep sea survey ship that was waiting for him in a certain part of the sea.

Yes, that was the place. Huo Xiaocai remembered an incident that had occurred in the past. Deputy regimental commander Guo Wencai and deputy chief of staff Wang Yun, who had organized this ship landing exercise, had seen a foreign pilot with more than 8,000 hours of flying time run a tire into a deck light while doing a ship landing demonstration for Chinese pilots at this very spot on this very ship. The tire blew out and the light was broken. The pilot broke out in a sweat, and he

later remarked to Guo Wencai, "Your deck is too small. You people won't be able to land on this one yourselves." The first part of the foreign pilot's statement was true. The deck of the deep sea survey ship that we use for training is only 19 meters wide, while the diameter of the helicopter rotors is 21 meters. The second half of his statement was wrong, however. Guo Wencai and Wang Yun had already done a successful landing, and quite nicely at that. Huo Xiaocai, his confidence restored, flew to the ship.

As the helicopter approached the ship, Huo Xiaocai caught sight of the helicopter pad in the stern, and the red, white, and yellow stripes of the eight-meter landing target. His heart jumped into his throat. He circled the ship once, checked the aircraft's condition one more time, then requested permission to land. After receiving the okay of the controller, he turned on his final approach, slightly elevated the nose of the aircraft, and gently descended toward the ship. With each meter that the helicopter dropped, the control stick in his hand seemed to grow a bit heavier, and the hearts of the people aboard the ship grew a bit more tense. The helicopter came nearer and nearer, and tall obstacles on the ship rushed toward the aircraft. When he arrived directly above the pad, Huo Xiaocai was totally absorbed with the task at hand. With one hand firmly on the control stick, he kept the helicopter hovering accurately over the target. When the aircraft was 0.25 meters above the deck, he decisively pushed the pitch all the way down and the helicopter touched down with a slight shimmy.

While the entire crew was cheering and congratulating Huo Xiaocai for landing successfully on his first try, Huo himself got off the helicopter frowning. The little shimmy told him that he had been slightly off target on the landing.

Flying is extremely demanding work. Particularly when landing on or taking off from a ship in high winds and heavy seas, you must be extremely precise if you are to ensure safety. However, Guo Wencai (who had been controlling the landing from the helicopter pad) gave Huo Xiaocai an approving look. Although he knew perfectly well the significance of the slightly inaccurate landing, he still had confidence that his old buddy would become one of the best ship-based pilots in the Chinese Naval Air Force.

Helicopters which had performed take-offs and landings on land were now doing it at sea. The stable and motionless runway had turned into a pitching ship, and the broad airfield had turned into a narrow deck. These changes had imposed rigorous demands on the landing skills of the pilots. Huo Xiaocai quickly discovered that the reason why he had landed off target was because in the sea, unlike on land, there are no points of reference or landmarks, so it is easy to misjudge height and distance while landing on a ship.

Huo Xiaocai was taking off and landing 20 times every day, so he was already straining to the limit with his

training routine. However, in order to sharpen his ability to judge distances by sight as quickly as possible, he would stay on the helicopter every day after finishing his own training runs and sit behind the pilot and watch other people maneuver the aircraft. He would judge the direction, bearing, height, and speed of objects at sea. Although a passenger does not fly the helicopter, he still gets just as tired. The roar of the engine can give you a splitting headache, and the tossing that accompanies each take-off and landing is enough to scramble your giblets. Hard work does not go unrewarded, though. After more than a month of hard training, he and his buddies all overcame the problem of tricky depth perception, and they mastered the skills required to land on a ship under every sort of condition, thereby becoming China's first group of ship-based pilots. In addition to Guo Wencai, Wang Yun, and Huo Xiaocai, the group included Yang Shouli [2799 1343 4409], Lu Yunxing [0712 5686 5281], Chen Jinlong [7315 6855 7893], Yu Zhigang [0060 1807 0474], and Wang Shuxian [3769 2579 2009]. When they successfully completed training on ship landing for the first time, they broke new ground for China's ship-based aviation forces.

#### A Flight Path Engraved in the Pacific Sky

In May 1980, a specially configured task force carrying out an experimental launch of a Chinese long-range carrier rocket set sail from a certain part of the East China Sea. In a long, majestic line they steamed toward the Pacific Ocean. Four ship-based helicopters from the Naval Air Force were perched silently on the ships in this task force. It was the first time in history that the Chinese Navy had transported ship-based aircraft on a long ocean voyage.

As soon as the task force reached the area where the instrumentation package was scheduled to fall, the Pacific Ocean gave the task force a rude greeting. High wind and waves whipped up, and warships of over 10,000 tons tossed about like rowboats. The swells were higher than two meters, and the pitching and yawing far exceeded the extent allowed for helicopter take-offs and landings. The aircraft could go nowhere under the circumstances, and that threatened completion of the entire experiment. The pilots grew distressed.

One day Huo Xiaocai got seasick and bent over the railing to vomit. Suddenly a helicopter flew overhead and attracted his attention. Fighting back his headache and nausea, he gazed intently as the helicopter flew to a foreign warship that was tossing in the waves just like their own. When the helicopter arrived at the ship it hovered a while over the deck, then dropped to the deck in a sudden whoosh. Huo Xiaocai's eyes lit up. He had discovered what the foreign pilot was waiting for while hovering above the deck—a break between the waves. Guo Wencai and the other had also discovered the secret. The pilots then leaned over the railing to observe the waves. They finally discovered that after every third or fourth wave, there is a short calm that lasts from 10

seconds to more than half a minute. This important fact enabled China's ship-based helicopters to soar into the Pacific sky.

On 18 May at exactly 1000 Beijing time, a space-launch vehicle took off into the sky from the northwestern part of China. At the same moment, Yang Shouli, Chen Jinlong, Wang Yun, and Guo Wencai (in helicopters 174, 176, 179, and 172, respectively), flew accurately and in the scheduled order to the prescribed area.

Yang Shouli and Chen Jinlong shouted, "The telemetry device has picked up the target!" The rocket was already nearing the site where the fall was scheduled to take place.

Wang Yun, who was responsible for the task of tracking the flight of the rocket, raced after the target in helicopter 179. Suddenly, he discovered that a red-and-white striped parachute, from which hung a shiny metal box, had dropped from the rocket. He immediately shouted, "The instrumentation package has been located at such-and-such a position!"

Guo Wencai, responsible for the task of retrieving the instrumentation package, piloted helicopter 172 toward the site where the package had fallen as soon as he heard the call of the tracking device, but he discovered that a bank of thick clouds was blocking his way. Such clouds are a menace to pilots. They produce wind, rain, thunder, and lightning, and are capable of destroying aircraft at any time. However, there was not enough time to fly around the clouds. The instrumentation package had already recorded scientific data from the rocket test, and in order to guard against untoward events it had been programmed to explode if it were not retrieved within a specified period of time. In addition, there were foreign aircraft and ships in the area; if he moved too slowly, the package might be picked up by someone else. In the past the United States had once retrieved a Soviet instrumentation package.

Guo Wencai decisively pushed his control stick and his helicopter plunged into the clouds at an altitude of 1,000 meters. His superhigh frequency compass twice lost the bearing of the instrumentation package because of static electricity. Guo Wencai stayed calm and kept the helicopter on its original course. After he pierced the cloud bank he quickly found the instrumentation package floating seven kilometers away. Guo expertly brought his helicopter to a hover 30 meters above the target and was preparing to lower a diver when a big wave swept the package to a spot 50 meters away. Guo calmly moved back into position above the target and lowered the diver right to the package, which he clipped to his waist. The entire retrieval had only taken 5 minutes, 20 seconds.

Guo Wencai piloted the helicopter victoriously back. Just then a foreign helicopter arrived, and picked up nothing but a bucket of dyed water before departing.

Helicopter 172 flew over the task force, and several dozen foghorns blared. Radio waves winged their way

toward Beijing, where XINHUA NEWS AGENCY broadcast the exciting news, "China's first generation of ship-based helicopters is now able to take off and land at sea..."

Since then, ship-based helicopters from the Chinese Navy have appeared many times in the skies over the Pacific Ocean, completing various missions satisfactorily every time.



## EAST REGION

### Jiangsu Urges Stronger Village Party Work

#### Commentary on Tasks for Organizations

91CM0330A Nanjing QUNZHONG [THE MASSES]  
in Chinese No 1, 5 Jan 91 pp 15-16

[Commentator's article: "A Very Important and Pressing Task Is the Development of Village-Level Organizations"; QUNZHONG is the official journal of the Jiangsu Provincial CPC Committee]

[Text] Village-level organizations are at the forefront of various types of work in the countryside. They provide direct guidance to the broad masses of peasants on implementing the party's basic line. In this way, they specifically organize and carry out the building of two civilizations in the countryside. They constitute the organizational basis for effecting party and government leadership at the grassroots. Consequently, there is major and profound significance in fully recognizing the importance and urgency in strengthening village organizations, in unifying thinking, and in doing even more conscientiously a good job of building village organizations in Jiangsu Province. Since the Third Plenary Session of the 11th CPC Central Committee, the rural areas have extensively used as their basic pattern the system of contracted household responsibility related to output to implement structural reform of the rural economy, thereby promoting the comprehensive growth of the rural economy and social undertakings. As a result, rural reform has also brought a number of new situations and tasks to rural work and placed new demands on village organizations. First, rural economic management systems and patterns of organizations are not the same. Rural economic systems that use contracted household responsibility related to output as their basic pattern broke with the original people's commune pattern of "three-level ownership with the production team as the basic form." They require that village organizations work directly with the thousands upon thousands of households in guiding the peasants to develop the economy, expecting them to deal with impossible tasks. Second, the rural industrial structure changed. In the past, it was essentially a unitary agricultural economy. Now it involves the comprehensive growth of agriculture, sideline production, industry, commerce, transportation, construction, and services. This requires that village organizations know both how to deal properly with agriculture and to develop industry, commerce, and sideline production and at the same time properly manage production operations and properly handle circulation and services. Third, along with the growth of an agricultural commodity economy, personnel have gone from being relatively concentrated to being relatively dispersed. The number of personnel leaving the countryside has increased. The contacts peasants have with the outside world has broadened, and their concept of an agricultural commodity economy has been strengthened. This has required village organizations to set up and

perfect various types of suitable control systems and methods. For the past several years, the vast number of village organizations in Jiangsu have been working hard to strengthen themselves to meet the demands of the new situation and new tasks. They have readjusted their organizational makeup and the content of their work, improved their work methods, accomplished a great deal of effective work, labored hard, and made huge contributions in promoting rural reform and the two civilizations. However, there are still problems here and there. The cohesive force of some village organizations has been weak. Their work is not competent. They have flaws in their organization, and their work lacks continuity. This has prevented party policies from being rapidly and thoroughly carried out at the grassroots level in the countryside. There have also been a small number of village organizations that have been weak and lax for a long time. They are either paralyzed or partially paralyzed. There is no one to inquire about the situation in the village and no one to take charge. This has created in these villages economic backwardness, slack political and ideological work, chaotic social order, and the appearance of unhealthy trends and evil practices. If these problems are not promptly resolved, the demands of the new situation and the new tasks with respect to rural work cannot be met, nor will the desire of the peasant masses for further economic growth and for common prosperity be met. It could even delay rural work to the extent that the four modernizations would be drawn back.

At present, Jiangsu is basically stable politically, economically, and socially. However, we can never lower our guard. We must continue to implement the policy of "stability overrides everything" and give stability the place of importance from start to finish. Stability in the countryside is extremely important in effecting stable relationships in the situation as a whole. Political stability cannot be separated from the foundation of the worker-peasant alliance; economic stability cannot be separated from agricultural production, especially from the stable growth of grain production; and social stability cannot be separated from peasant stability and from the stability of social order in the countryside. Furthermore, the work of village organizations is also extremely important to rural stability. A village is a "small society." It not only has economic work, it also has political work, the work of maintaining order, birth control work, and various other types of social work. It is the village organizations that must inquire into this kind of work, control it, deal with it, and coordinate it. The countryside can be stable only if this kind of work is properly dealt with. If village organizations are weak and lax and various types of work are not properly handled, a variety of social contradictions and unsettling factors will result. Rural stability and even stability of the situation as a whole could be affected. Therefore, we must, by doing a good job of building village organizations, by conscientiously strengthening rural work, and by ensuring rural stability lay a firm foundation for stability of the situation as a whole.

Strengthening the party's ties to the masses is a fundamental issue of party building and a major issue directly related to the rise and fall of the party and the government. Village organizations represent the bridge and bond linking the CPC to the peasant masses. In a certain sense, the CPC's ties to the peasant masses are largely embodied in the ties between rural grassroots organizations and the masses. Rural grassroots organizations that are endorsed and cherished by the masses can improve the prestige of the CPC and can build closer ties between the party and the peasant masses. To sum up, at present the ties that the vast number of village organizations in Jiangsu have with the peasant masses are good. The village organizations have a high level of prestige among the masses. However, some village organizations do not have close enough ties to the peasant masses. In some cases their ties are tense. In order to thoroughly and properly implement the spirit of the "Resolution" of the Sixth Plenary Session of the 13th CPC Central Committee and conscientiously resolve the problems that now exist between the party and masses in the countryside, we must urgently do our utmost to strengthen village organizations with party branches as their cores.

Party organizations at all levels must treat the strengthening of village organizations as a major task. The work of building village organizations is a weighty task and the demands are high. The work can be done properly only if leaders at all levels give it a high degree of attention and deal with it seriously and one step at a time. It must be pointed out that the county party committees have an especially heavy responsibility in building village organizations. The focus of county party committee work is the rural areas, and an important aspect of rural work is the building of village organizations. This means that county party committees (including county-level cities) must attach importance to this work, expend more effort dealing with it, and conscientiously strive to make it a success.

**In dealing with the work of village organizations, we must first have a clear-cut guiding ideology.** This means using party branch building as the focal point, working hard to strengthen the building of village cooperative economic organizations, gradually establishing and perfecting village people's committees, and bringing into full play the mass organizations, thereby infusing vitality and life into all village organizations so that they become strong collectives united in striving to lead the masses into building a socialist new countryside. Specifically, we must pay attention to the following three points: First, giving prominence to doing a good job of building village party branches by fully bringing into play their function as a fighting force and their role as the core of leadership; second, grasping both the central task of building of the economy and adhering to building the two civilizations; and third, proceeding from actual conditions and avoiding formalism and "rigid uniformity."

**In dealing with the work of village organizations, we must also pay attention to improving our work style.** Every

locality has a number of good work styles and experiences appropriate for building village organizations. Leaders must all regularly go into the rural areas to discover typical cases and sum up experiences, thereby to establish models for building village organizations. All party committees and governments must commend and reward progressive village organizations and outstanding village cadres. They must formulate plans and adopt strong measures to help villages, which for a long time have been lagging behind, and promptly change their appearance. Rural grassroots cadres have direct contact with the peasant masses and are at the heart of the problems. They face many hardships. Higher-level organizations and leading cadres definitely must be sympathetic toward their difficulties, make allowances for their troubles, and pay attention to maintaining and mobilizing their enthusiasm. At the same time, strict demands must be made on the rural grassroots cadres and more specific help must be given to them. In building village organizations, we must first of all do a good job in ideological work. In strengthening village organizations, we must help rural grassroots cadres improve their knowledge, inspire their enthusiasm, and increase their confidence so that they may bring into full play their subjective initiative. At the same time, we must also actively create conditions that will help village cadres resolve certain practical problems, such as helping them clear up problems at home. This will enable them to exert their full enthusiasm and energies on rural work.

**In dealing with the work of village organizations, we must properly harmonize various aspects of our forces, strengthen our coordination, and effect closer cooperation.** Various organizational departments, agricultural and industrial departments, civil administration departments, and organizations such as the Communist Youth League, the Women's Federation, and the people's militia have done a great deal of work and achieved substantial success with respect to building village organizations. However, if we are to do an even better job of building village organizations with respect to the situation as a whole, we must, under the unified leadership of the party committees, rely on strengthening coordination, helping each other, doing common studies, and working together to manage things, thereby forming a joint force.

**Strengthening the work of village organizations is a long-term task.** We are confident that, as long as party committees truly devote their attention to the issue and strongly and tirelessly work on it, the building of village organizations in Jiangsu will definitely be crowned with even greater success and rural reform and the building of two civilizations will definitely be continuously carried forward.

#### Recommendations for Party Branches

91CM0330B Nanjing QUNZHONG [THE MASSES]  
in Chinese No 1, 5 Jan 91 pp 16-17, 40

[Article by Lin Yuying (2651 3768 5391), deputy director of the Organization Department, Jiangsu Provincial CPC Committee: "Making Village Party Branches the Nucleus of a Strong Leadership"]

[Text] Rural party branches are the party's grassroots organizations and the organizational foundation of the party leadership in the administrative villages. They are the bridge and bond linking the party to the broad peasant masses.

In the past several years, various localities in Jiangsu have paid close attention to the party's basic line and used the building of leading groups as their focal point, the training of party members as their foundation, and entry into the branches after rectification as their breakthrough. In this way, they have, as their main method, implemented management by objective in party building work and put into effect a system of party building work, thereby comprehensively promoting the work of building village party branches. At present, the great majority of Jiangsu's village party branches are combat effective and the great majority of the province's party members are good or relatively good. As a result, they are bringing into play their core leadership role and their exemplary vanguard role in rural reform and in building two civilizations. However, there still exist a number of problems. Some party branches are weak and lax, making it difficult for them to exercise their proper function. A small minority of party branches suffer from paralysis or partial paralysis, making it impossible for them to begin work. A small number of party members do not understand what their function is or have not performed their function for a long time. Some even violate the law and discipline. The existence of these problems weakens the rural foundation of the party. It has a direct effect on thoroughly implementing the party line and policies in the countryside and damages the prestige of the party in the eyes of the masses. Even with good and relatively good party branches, there are still gaps in implementing the requirement to develop the socialist cause. Consequently, it is absolutely essential to conscientiously resolve the existing problems, strengthen the building of village party branches, strengthen party leadership over rural work, promote the deepening of rural reform, and encourage overall progress in the socialist cause in the countryside.

**In strengthening the building of village party branches, we must first make clear that village party branches are the leadership core of the village organizations and of various types of work.** This is determined by the nature and status of the CPC and the actual situation with respect to rural work. The CPC is the vanguard of China's working class. It is the force at the core leading our cause. The fundamental task of the party is to lead the people of China in building socialism and, ultimately, to implement communism. At the present stage, party leadership, with respect to building socialism and reform in the countryside, means depending on the correct lines and policies it has formulated and depending on all party organizations, including the thousands and thousands of village party branches, to fully perform their core leadership function. A village is a small society. Within villages there is not only political, ideological, and economic work, there is also a great deal of administrative

and social management work. This requires a firm core of unified leadership to properly coordinate the various working relationships and to correctly handle a variety of complex issues. Village party branches are focal points in the countryside for high political awareness and good ideological qualities and work ability. In the eyes of the masses, they are known for being made up of outstanding elements with proletarian advanced ideology. They are the backbone guiding the masses in overcoming difficulties, in withstanding trials, and in firmly taking the socialist road. Judging by Jiangsu's experience in building rural grassroots party organizations, in all villages where party branches properly exercise their core leadership function, the mental outlook of the village people is good, their drive is strong, and the building of two civilizations is achieving remarkable success. Even where natural conditions are lacking or where the original economy has been backward, these villages have still been able to quickly transform themselves. Conversely, where party branches do not exercise their core leadership function, the village is like a tray of loose sand, with every job difficult to accomplish. The people's masses have put it well, "If we are to achieve prosperity, we have to have a good branch... Don't be afraid of things being in a shambles, be afraid of not having a good leading group... If you are to change the mountains and change the water, first change man. If you are to change man, first change those in charge... Financial help and material help aren't as good as help in building a branch." This makes it abundantly clear that the core leadership function of the village party branches is widely accepted by the broad masses, is historically based, and is a fundamental guarantee of the CPC leading the masses on the socialist road to a common prosperity. Consequently, we must through tireless effort, step by step, build all village party branches into strong leadership cores that are politically firm, ideologically correct, honest and upright in work style, closely linked to the masses, united in combat, full of life and vitality, and able to lead the masses in implementing two civilizations and to thereby effect a common prosperity.

**If we are to build village party branches into strong leadership cores, it is important that, in meeting the requirements for developing productive forces and for building a prosperous and civilized new countryside, we do a good job of building village party branch leading groups.** Leading groups perform organizational, decisionmaking, command, and leadership functions. Having a good branch leading group makes it possible to develop a good contingent of party members and makes it possible to lead the masses into building socialist good villages that are prosperous and civilized. Party branch leading groups generally can be divided into three categories. Our goal is, within two or three years, to enable category-1 groups to create advanced elements, category-2 groups to rise up the steps, and category-3 groups to change their image. We would do this by proceeding from the actual situation, distinguishing between differing circumstances, giving prominence to key points, maintaining basic stability, and working hard to improve quality.

Within the branch leading group, it is the branch secretary who functions as leader. He must provide good coordination and make proper assignments within the group. The key is selecting a good branch secretary. Therefore, we must fully bring democracy into play, take the mass line, and broaden our field of vision and develop channels for selecting people if we are to select leaders from among party members who are well qualified politically, fair and honest, wholeheartedly devoted to serving the people, creative, and able to lead the masses together toward prosperity. At the same time that we do a good job of assigning branch secretaries, we also have to pay attention to doing a good job of assigning branch members. After a good leading group has been set up, we must make proper arrangements for periodic training and regular classes to help them constantly improve their political and ideological qualities and their ability to analyze and resolve problems and to improve their work style and methods. This will, with respect to developing commodity production and leading the masses to a common prosperity, enable them truly to become outstanding organizers and commanders in their own villages. We also must set up mechanisms of encouragement. We should widely implement a system of goal responsibilities linked to the village party branch leading group's term of office, thereby getting the group started on its activities. In addition to promptly praising and encouraging party branch leaders whose work has consistently been good and who have constantly been outstanding, we must also promote them whenever possible. This is especially true for principal cadres such as village party branch secretaries—who should serve as the main source for replenishing the ranks of township and town leading groups and cadres.

**If we are to build village party branches into strong leadership cores, it is absolutely essential to rigorously strengthen the training and management of party members and bring into full play their roles as vanguards and models.** An important consideration in whether party branches can become strong leadership cores is whether, in building two civilizations in the villages, party members can bring into full play their roles as vanguards and models. For this reason, we must closely integrate ideology and practice with respect to rural party members and fully utilize facilities such as township and town schools and party member activity rooms to keep up the training of party members in Marxist basic theory, the basic line and basic knowledge of the party, and the party's policies in the countryside on education and science and technology and on cultural knowledge. Through training, party members are able further to improve their ideological and political qualities, firmly establish a communist ideology, and strengthen their conviction to take the socialist road. They then can propagandize and implement in an exemplary manner the party's policies in the countryside and guide the masses in working hard and becoming rich, in achieving a common prosperity, and in building a prosperous, socialist new countryside. To enable party members regularly and on a long-term basis to exercise their

functions as vanguards and models and to create conditions for them to play these roles, we also should encourage intraparty democracy, enliven intraparty democracy, and establish and perfect the needed systems. What is most important at present is to establish a system of management by objective for party members. This should be done in accordance with party members' rights and obligations as provided in the party constitution and linked to actual circumstances in their own villages. The work that each party member is required to do in a year would be broken up into separate elements, quantified, and fixed in advance. Tasks with goals, examinations with standards, and appraisals with bases for comparison would be set up. In effecting management by objective for party members, we must also resolutely implement a system of democratic appraisal through discussion, a system that strives for excellence, a system of party member activity days, and a system controlling the absences of party members. In accordance with the principle of "party affairs, first; outside affairs, later," we must promptly communicate to party members internal party documents and circulars on the situation, bring them into discussions of important village issues, and mobilize them in vigorously developing rich and varied activities such as "competitions of party members and the masses to get rich and achieve a common prosperity," "one team, five parts," "striving to become point men in developing the rural economy," and "contributing more to the collective and doing more to resolve the problems of the masses." This will further increase their sense of honor, sense of responsibility, and sense of mission, thereby fully bringing into play their roles as vanguards and models. We also must pay special attention to attracting to the party outstanding and qualified young people and women. We must, in particular, do a good job of developing party members in villages where party member ranks have seriously aged, where party work is weak, and where the leading group lacks successors.

**In building village party branches into strong leadership cores, we also must make a great effort to continue to do a good job of rectifying backward party branches.** At present, about 10 percent of Jiangsu's village party branches are backward and cannot become strong leadership cores. This has affected the building of socialism in the countryside. Consequently, it is essential that we continue to rectify backward party branches in a planned and guided manner and transform them within a prescribed time period. Rectifying backward party branches involves painstaking and complex work that requires combining ideological rectification with organizational rectification. With respect to the small number that have been lagging behind for a long time and with respect to villages which absolutely do not have the proper people from which to select, we can adopt such measures as "detailing" people from county and township offices, "returning" people from township and town enterprises, and "exchanging" people from nearby advanced villages in order to select the proper comrades to take over the

responsibility of village party branch secretary. For villages with relatively weak economies, we must provide needed support, such as funds, technology, and information, to help them develop their production and extricate themselves from poverty. On the basis of their economies, one village could dispatch competent cadres and organize special contingents to help another village with its rectification. We could also organize party affairs departments and departments in charge of economic management to work together to transform backward village party branches. The departments would, in line with their official duties, work by fixed point linkage and identified responsibilities. Of course, the most basic approach is for backward village party branches to build themselves up. To accomplish this, we must educate and help them develop enthusiasm and improve their leadership abilities and managerial standards so they can rely on their own forces to transform their backwardness.

The crux of strengthening village party branch work lies in the active participation of all party organizations. City and county party committees should formulate macroscopic policies and measures that facilitate the strengthening of village party branch work, pay attention to going down to the grassroots, conduct surveys and studies, do a good job of handling typical cases, provide guidance according to the type of area, and each year be responsible for one or two types of activities that affect the

situation as a whole. This will create an excellent environment for village party branch work. Township and town party committees have direct responsibility for managing village party branch work. At the beginning of each year, they should formulate specific plans, list managerial objectives, and, with respect to management by objective, perfect the systems that are needed, including a responsibility system for village party branch work, a system of regular meetings, a system of contact points, and an investigation and examination system. The organization departments of all party committees, especially those of county party committees, are duty-bound to strengthen the work of building village party branches, to conduct regular surveys and studies, to analyze and promote new experience, conscientiously to study new situations and new problems that have cropped up in building village party branches, and to make constructive criticism and suggestions, thereby taking the initiative in becoming good staff officers for the party committees. As long as the party as a whole attaches a high-degree of importance to it, as long as the various departments together grasp joint management, and as long as the upper and lower echelons are in close coordination, the face of the village party branches in Jiangsu will inevitably undergo a great change and their core leadership function will definitely be effectively exercised.

**Assessment of 1990 Mainland-Taiwan Trade**

91CE0203A Hong Kong LIAOWANG [OUTLOOK]  
OVERSEAS EDITION in Chinese No 50, 10 Dec 90  
pp 21-22

[Article by Yang Yuan-hu (2799 6678 5706) and Li Ta-hung (2621 1129 1347): "Supplement Each Other, Benefit Each Other, and Promote Economic Prosperity on Both Sides—A Review of the Trade and Economic Exchange and Cooperation Between Taiwan and China in 1990"]

[Text] Despite the Taiwanese Government's administrative and legislative measures and every effort to "cool the mainland fever," so far this year, economic and trade exchange and cooperation between Taiwan and China have continued their strong momentum, adding to the rapid development which began a few years ago. Moreover, the development is slowly turning from scattered and uncoordinated efforts to a more planned and systematic and efficiency-oriented direction.

**Volume of Trade Is Expected To Increase by Nearly 10 Percent This Year**

Trade between Mainland China and Taiwan has seen rapid development since 1979. The amount of bilateral trade has grown from \$77 million in 1979 to \$3.5 billion in 1989, increasing at an average rate of 46.4 percent a year. Relevant statistics show that between January and August of this year, volume of trade between the two sides has already topped \$2.49 billion, 6.12 percent more than in the same period a year ago. This includes imports worth \$2.02 billion, a 3.6 percent increase over the same period a year ago, and exports worth \$470 million, a 18.6 percent increase over the same period last year [as published]. For the year as a whole, the two-way trade is expected to top \$4 billion, almost a 10 percent increase over last year's.

There are two noticeable changes in the trade between Taiwan and China this year: 1) For the first time, Mainland China's exports to Taiwan increased faster than its imports from Taiwan. 2) Although the mix of imports and exports has not changed significantly, there have been some changes nevertheless. Besides Chinese medicine, textile goods, aquatic products, and other traditional products, there have been substantial increases in the exports of coal, cement, and other goods from the mainland to Taiwan.

Trade relations between Taiwan and China can be expected to see further development in the future. This is because the two sides are producing goods that supplement each other's needs. Taiwan's machinery, synthetic fiber products, and industrial and semi-finished goods are what the mainland needs, and Mainland China's raw materials and semi-processed goods, agricultural, sideline, and native products and some industrial products are what Taiwan wants. Since Taiwan's export trade has been in a state of semi-stagnation so far this year, the supplemental nature of this kind of trade has become

even more apparent. According to a Taiwanese newspaper analysis, the more than 30 percent increase in exports to the mainland in September was no doubt one of the main reasons why Taiwan's exports were able to break out of the dark cloud which had shrouded the economy for half a year.

But one should realize that since 1980, Mainland China has had a negative trade balance in its trade with Taiwan, and the deficit is still growing rapidly. Last year alone, its trade deficit topped \$2.2 billion, which made up 38 percent of mainland China's total foreign trade deficit, and the trade deficit may further increase to \$2.8 billion this year.

Mainland China's huge trade deficit with Taiwan is due largely to the Taiwan Government's refusal to allow Taiwanese manufacturers to have direct trade contacts with the mainland and to its restriction of mainland imports. Indirect trade increases the time spent on negotiations, lowers efficiency, increases the risks, increases the cost of doing business, and prevents both sides from understanding each other's market situations, and so on. The Taiwanese Government's refusal to allow mainland residents to visit Taiwan as tourists or to do business makes it impossible for mainland manufacturers to get to know the Taiwanese market, which greatly limits their export potential. In addition, Taiwan's policy of encouraging its manufacturers to export to the mainland basically sets no limits, but it imposes all sorts of restrictions on imports from the mainland. Up to now, the Taiwanese Government has allowed the import of only a little more than 150 types of agricultural and industrial raw materials from the mainland and is blocking the import of most other products, including industrial goods and some agricultural and sideline products which have greater foreign exchange-earning capabilities. Obviously, the mainland's huge trade deficit is a creation of the Taiwanese authorities.

**Taiwanese Businessmen's Raging "Mainland Investment Fever"**

As trade between Taiwan and China increases steadily, Taiwanese investment in the mainland is also making new progress. Taiwanese industrialists and entrepreneurs flock to the mainland to look for investment opportunities. Their footprints can be found everywhere, from the coastal cities to the northeast, the southwest, the northwest, and all over the interior provinces. Whether we are looking at the size and the class of tour groups or the scope and depth of their investigations, they are unprecedented. Among them, there are scores of individual trade-based groups traveling to the mainland to study investment possibilities. Statistics show that compared to the same period last year, Taiwanese investment in the mainland is expected to increase, both in terms of the number of projects and in total outlay this year. Take Fujian Province for example. Between January and August of this year, Taiwanese investments have increased 90.4 percent in terms of the number of

projects and 178.7 percent in terms of outlay compared to the same period last year.

When the Taiwanese government announced the "Law on the Management of Indirect Investment or Technological Cooperation with the Mainland" on 6 October of this year, many people worried that Taiwanese businessmen would succumb to the pressure and would slow their pace of investment in the mainland. But Taiwanese investment fever in the mainland is an inevitable result of objective developments, and no force on earth can stop it. Thus, the impetus of Taiwanese investment in the mainland not only has not slowed but the number of people truly interested in investing in the mainland has actually increased rather than decreased. Many insiders think that this trend will continue well into next year.

#### **Mutually Beneficial Economic Cooperation Between the Two Sides**

Mutual supplement and mutual benefit are striking characteristics of the economic dealings between the mainland and Taiwan. So far as the Taiwanese investments in the mainland are concerned, they are the result of deteriorating investment environment and the subsequent flight of capital from Taiwan, which is reciprocated by the mainland's need for foreign capital markets. They are the result of the needs of economic development on both sides.

After more than 40 years, both countries on opposite sides of the Taiwan Strait have made progress economically. Today, both economies need further upgrading and development. The mainland is implementing a policy of reform and opening up, and it needs funds and foreign markets in order to promote sustained, steady, and healthy economic development. Taiwan, on the other hand, needs to shift its capital abroad to expand production and find cheaper labor in order to maximize profit. The mainland is vast in territory. It is politically stable and is rich in natural and human resources. It offers a huge market and a full and complete industrial system and is pursuing, and will continue to pursue, a policy of opening to the outside world. These provide the Taiwanese investors with the perfect opportunity. The mainland and Taiwan people share the same culture and are of the same race. Fujian Province and its vicinities especially are close to Taiwan geographically. The people have blood ties and share the same language and similar customs, which provide a even better environment for the Taiwanese investors. This is one of the main reasons why Taiwanese investors have flocked to the mainland.

Second, Taiwanese investors can make a lot of money in the mainland. Someone has made calculations using the shoe manufacturing business as example: As far as raw material consumption and water, electricity, rent and other expenses are concerned, the two sides are comparable. But wages in the mainland are only about one-sixth or one-eighth of that in Taiwan. Because of the lower cost, generally, profit on sales of goods made in the mainland is at least 10 percent higher than on those

made in Taiwan. Today, among the several hundred Taiwanese-invested enterprises already in production or operation, most are doing well and have achieved economic efficiency. Many investors are reinvesting part of their profit in new plants to expand their business or in other lines of businesses.

Third, Taiwanese businessmen are fairly well satisfied with the mainland's management environment. In the 11 years since reform began, the mainland has adopted a series of effective measures to greatly improve its investment environment. A questionnaire-type survey of what Taiwanese investors think of the mainland's legal system indicates that 70 percent of those [doing business] in Shanghai, 71 percent in Xiamen, and 92 percent in Jiangsu find the system "satisfactory," "fairly satisfactory," and "basically adequate." As for what they think of the mainland's preferential policy, 80 percent in Shanghai, a perfect 100 percent in Xiamen, and 92 percent in Jiangsu find the implementation "satisfactory," "fairly satisfactory," or "basically adequate." The mainland also respects the Taiwanese businessmen's lifestyles and habits and their religious believes. For example, if a Taiwanese manufacturer wants to worship Buddha in his own factory, he is free to do so. The above survey also indicates that with respect to the "right to make production and management decisions" and the "right to hire [and fire] workers," the approval rates, meaning people who are "satisfied" or "fairly satisfied," are 90 percent and 83 percent respectively in Shanghai, as high as 99 percent on both counts in Xiamen, and 100 percent and 98 percent respectively in Jiangsu.

It should be pointed out that because the investment environment in Taiwan itself has been deteriorating in recent years, and many products have lost much of their competitiveness due to soaring costs, garment, shoe, and toy exports have shriveled, and industries are desperately looking for solutions overseas. Taiwanese investment in the mainland will help make Taiwanese products more competitive in the international markets, strengthen Taiwanese products' market shares, and help Taiwan escape its current economic predicament. Industrialists and entrepreneurs in and out of Taiwan have reached the consensus that if the Taiwanese government would allow its industrialists and entrepreneurs to do business directly with, and make direct investments in, the mainland and open up direct air and shipping services between the two shores, it would reduce the unnecessary middle links, reduce the loss and increase the profit, and promote the economic developments on both sides even more. One should also realize that the development of economic relations not only should be direct but should also be bilateral. Only if there is some give and take can the relationship endure.

#### **The Promising Future of Taiwan-China Economic Exchange and Cooperation**

After several years' contact and exchange, those in the industrial and commercial circles on both sides have come to understand each other better and are trying to

meet each other's needs. The cooperation has yielded some success. The future of economic exchange and cooperation between the two sides is very promising.

Take agriculture for example. Taiwan's cultivation and processing techniques are more advanced, but because of limited economies of scale, it has been unable to give full play to its superiority. If the Taiwanese businessmen could go to the mainland to develop agricultural undertakings, it could prove very profitable.

Labor cooperation too would prove beneficial to both sides. Taiwan has a labor shortage, and during the transition period of its industrial structure, it needs huge labor input for its construction projects. Mainland China has a definite advantage in this area. It has a contingent of capable workers, a full range of facilities, and impressive technological capability. Each year, tens of thousands of people are contracted to work in overseas construction projects and labor cooperation, and its labor force is internationally renowned. Why can't the two sides enter into some kind of cooperation in this area?

Furthermore, in order to attract Taiwanese investments and foreign capital, China has put substantial human and material resources into infrastructure construction, especially in the special economic zones and the economic and technological development zones. It has built new facilities to provide water and electricity, new communications systems, roads, factory buildings, as well as other everyday service facilities. It is gradually perfecting the external conditions to accommodate foreign investments and foreign-invested plants. But overall, relative to the increasing economic needs, the mainland's industrial infrastructure, such as communications, energy, and raw material availability, is weak. If Taiwanese industrialists and entrepreneurs could enter into cooperation with the mainland, it will promote further economic cooperation and development on both sides.

Taiwanese industrialists and entrepreneurs flocking to the mainland to trade and to invest is the trend of the times. No regulation to block economic exchange and cooperation between the two sides can turn the tide. Since the mainland's proposal of the "three exchanges" between the two shores, many restrictions to limit exchange have been lifted. Not too long ago, the Taiwanese Government urged companies to comply with the "Method of Investing Indirectly in the Mainland" and go through the registration procedure retroactively, but few responded, which demonstrates how unpopular the method is. People want the Taiwanese authorities to face up to reality, go with the flow, abandon the talks and acts that are unfavorable to the contacts, and sit down and negotiate concrete issues in the economic dealings between the two sides, so as to promote the normal and healthy development of economic and trade exchange and cooperative relations between the two sides.

### Taiwan Firms Increasing Investment in Shenzhen

91CE0388A Hong Kong LIAOWANG [OUTLOOK]  
OVERSEAS EDITION in Chinese No 4, 28 Jan 91 p 28

[Article by Lu Min (7120 2404) and Chang Ching-tao (1728 2529 6670)]

[Text] Taiwanese businessmen are increasingly investing in Shenzhen as relations have relaxed on both sides of the [Taiwan] straits, the Shenzhen SEZ [Special Economic Zone] has developed quickly, and the investment environment has continuously improved. Statistics show that at present there are 392 Taiwanese-invested enterprises in Shenzhen. Agreed-upon investments amount to \$444.63 million.

Taiwanese investment in Shenzhen dates back to 1983. At that time, such investments mostly were concealed. They were piecemeal, scattered, small scale, and of limited scope.

Large-scale investment in Shenzhen by Taiwanese businessmen has occurred in the last two to three years. In 1988 and 1989 respectively, 44 and 86 Taiwanese enterprises invested in Shenzhen. Since 1990, there has been even greater interest. Through the end of October 1990, 240 enterprises from Taiwan applied for and received approval, accounting for 60 percent of all Taiwanese enterprises. At the same time, the number of compatriots from Taiwan who go to Shenzhen to look over factories and investigate the investment environment has jumped. Taking the first quarter of 1990 alone as an example, Shenzhen's tourism industry received more than 7,200 such people, a figure seven times greater than for the entire year of 1989.

At present, investment in Shenzhen by Taiwanese businessmen is changing from a rudimentary to a stable stage. It is rising continuously.

Ultimately, what has made Shenzhen so attractive? We interviewed several Taiwanese enterprises in Shenzhen to find out.

"I like Shenzhen. It changes and makes progress on a daily basis. It is developing quickly." Mr. Yang Ssu-liang [2799 1835 0081], who has been in Shenzhen for five years, spoke of his experience. He said Shenzhen is a good place for Taiwanese investment.

Mr. Yang began 22 rather low investment, small scale enterprises in Guangxi and Guangdong during his first few years on the mainland. In 1988 he set up a sole proprietorship enterprise in Shenzhen—Chung-ying Enterprises, Ltd, and five affiliated factories for casting, ready-to-wear clothing, and magic lamps. Foreign exchange income has amounted to more than \$20 million in just a year or so of investment.

Mr. Yang spent a year or two visiting, exploring, and comparing many countries and areas of the world, including quite a few places in Mainland China, but he chose Shenzhen as an important spot for investment. He



said that bordering Hong Kong and Macao, Shenzhen has geographical advantages. Moreover, its transportation, telecommunications, and other living facilities are relatively good and continuously improving. "Take telephones for example. In 1985 when I first came to Shenzhen, making a long distance call meant using a switchboard, which was inconvenient. By 1986, one could dial directly many parts of the world."

Mr. Yang's operations in Shenzhen continue to grow. Since 1989, he has annually increased investment by \$4 million to \$5 million. In 1991 Chung-ying Enterprises foresees its investment will grow to around \$10 million.

Investment in Shenzhen by Taiwanese businessmen in the last two years has the following characteristics: (1) The scale of investment is gradually expanding. Since 1990, the number of enterprises investing more than \$10 million grew to six, and those investing more than \$5 million rose to more than 20. (2) With the help of Taiwanese investment, medium- and small-scale enterprises have developed into some large enterprise conglomerates or branch companies. (3) The types of industries invested in grows daily. Grades of technology used are being upgraded continuously. (4) Sole proprietorships are increasing; there are 78 such Taiwanese-invested enterprises in Shenzhen, or approximately 40 percent of the total. Taiwanese-invested enterprises are growing in a stable manner.

This growth depends not only on the preferential policies of the SEZ and its advantageous geographical location, but even more so on the nature of its human talent. For example, customs personnel in Shenzhen are highly efficient. They enjoy a good reputation among Taiwanese businessmen.

During our interviews, we often heard Taiwanese businessmen praise the quality of mainland personnel. One Taiwanese manager who trades in household electrical equipment recently selected a young person who graduated from college only two years ago to be a factory manager. Sighing, he said that although talent is really in short supply on the mainland, young people emigrate to Shenzhen, making it a place where many talented personnel converge.

Mr. Yang Ssu-liang also said that Shenzhen offers quite adequate living and amusement facilities. Furthermore, customs are similar to those at home, the language is understandable, and social order is better than in Taiwan. "There are not as many indecent spots as in Taiwan." Many Taiwanese businessmen crack jokes among themselves on this point, saying that when one invests here, "the wives feel no anxiety whatsoever."

When we asked whether they were used to Shenzhen's limited water and electricity, most Taiwanese businessmen were very understanding. They were not greatly affected by restrictions because the majority engage in light industry. Mr. Ts'ai [5591], a Taiwanese businessman who has been to many parts of the world, said, "One also runs into water and electricity problems in some other countries. Shenzhen has grown more rapidly than expected, so it is normal that supplies of some ancillary facilities temporarily exceed demand. All are within Shenzhen's development scale, so I believe the situation will improve."

Mr. Ts'ai, secretary of the Taiwanese Businessmen's Association of Shenzhen, often has a chance to meet with relevant Shenzhen city government officials and apprise them of situations and problems. This association of more than 100 member enterprises was formed in June 1990. Since its founding, it has played an important role in forging relationships between Taiwanese businessmen and people in local government and business circles. For example, Shenzhen originally allowed Taiwanese businessmen to bring their own automobiles into the SEZ, but not into Baoan County. After gathering opinions on the matter, the Taiwanese Businessmen's Association reported them to the city government. Following serious study, those involved in Shenzhen officially allowed Taiwanese businessmen in Baoan County to bring in their own autos. The Taiwanese were very pleased.

The Shenzhen city government also made a timely readjustment of the structure of its Taiwan Affairs Office. It set up a "Shenzhen City Advisory Service Center for Taiwanese Compatriots" and an economic office which has as its main task the development of Taiwanese-invested enterprises. It strengthens relationships with all concerned, does a steady business for Taiwanese businessmen, and actively dispels the worries of Taiwanese investors in Shenzhen. It has won their praise.

**'Uneasy' Sino-Hong Kong Sociopolitical Relations**

91CM0222A Hong Kong MING PAO YUE KAN  
[MING PAO MONTHLY] in Chinese No 301, Jan 91  
pp 12-19

[Article by Ding Wei (0002 0251), lecturer in the Missionary Department of Hong Kong Baptist College: "Sino-Hong Kong Relations—Predicament and Turning Point"]

[Excerpts] In recent years, every time a Hong Kong-posted Chinese has discussed the confidence crisis and the issue of Hong Kong's future, whether it be Xu Jiatun [6079 1367 1470], the former director of XINHUA NEWS AGENCY, or Li Hou [2621 1775], the deputy director of the Hong Kong and Macao Affairs Office, they have all inevitably trumpeted the Basic Law. They have repeatedly emphasized that Hong Kong's emigration problem was only a temporary phenomenon and that there was no cause for excessive worry. The formulation and implementation of the Basic Law, they claimed, would provide the basic assurances for "one nation, two systems" and "Hong Kong home rule" in the future. If the Hong Kong people would eagerly come forward with their opinions and if the draft of the Basic Law could be completed, then the Chinese government's promises regarding Hong Kong's future would be given assurance and the Hong Kong people's confidence crisis could be resolved. Today, the Basic Law is in final textual form, but emigration is increasing rather than decreasing, and the "three confidence crises" of the Hong Kong people (namely, a loss of confidence in Hong Kong's future, a lack of trust in the Chinese Communist government, and the crisis of faith caused by crumbling values and intimations of doom) are now more serious than in years past. In the final analysis, what problems are reflected in this broadened chasm between China and Hong Kong?

Perhaps the Hong Kong people have forgotten, but nowadays no one in Hong Kong brings up the "Basic Law as the greatest assurance" argument championed by Xu Jiatun and Li Hou. However, today we hear the words of a new Beijing official, Wang Pinqing [3769 0756 3237], deputy director of XINHUA NEWS AGENCY: "Today there are indeed certain misgivings in Hong Kong society about the changes of the future. Some of this is psychological and ventures beyond the bounds of reality and this is understandable. I am confident that actual practice and comparison will gradually lead the people into discovering conclusions and answers that accord with reality. And the way I see it, Hong Kong's future is a rosy one indeed."<sup>1</sup>

These words of Wang Pinqing to the effect that Hong Kong remains a place rich in opportunity are his attempt to placate the Hong Kong people. Since he stresses actual practice and comparison, let us take a look at what has resulted from practice and comparison. First of all, practice and experience in recent years proves that nothing, from the numerous policy assurances of the

Chinese Government to the creation of the Basic Law, has alleviated the Hong Kong people's confidence crisis. In addition, as for the two Beijing officials we referred to above, Xu Jiatun has already covertly emigrated to the United States, and Li Hou is preparing to resign from office and return to his home town. It seems the words of the two great officials do not tally with reality. The Basic Law cannot return the confidence of the Hong Kong people, but then the people are not bothering to investigate and indeed have already forgotten the predictions made by the two officials. So, having looked at practice and made comparisons, if the words of past officials do not survive the test, how much credence can we give to the words of the newly appointed official?

Since the day the verdict came in on the issue of Hong Kong sovereignty, China's Hong Kong policies have been boiled down into a handful of easily imparted slogans: "one nation, two systems", "Hong Kong home rule", "a high degree of self-government," "50 years of no change," and so on. The latest addition by Jiang Zemin is that "river water does not mix with well water." However, these slogans lacking in substantive meaning soon became well-worn cliches in the minds of the Hong Kong people, for each of them carried a single symbolic meaning—namely, that the Chinese Communists would respect the Hong Kong reality. Because Hong Kong's capitalist system benefits China more than it harms China, the people believe that Hong Kong might be permitted to keep its socioeconomic system. However, as for how Hong Kong can continue to develop and retain its unique character under Chinese Communist control and management, these slogans can provide no assurances.

After Jiang Zemin made his famous argument about river water and well water not mixing with each other, many in Hong Kong, including members of the democratic factions, chimed in with their concurrence. They feel that we can learn lessons from history for the purpose of establishing stable and beneficial Sino-Hong Kong relations. After 1956, when the Kuomintang's activities in Hong Kong had been brought under strict controls, Hong Kong could no longer serve as a base from which a foreign power might subvert China and the Chinese then scaled back their own interests and had no desire to create disturbances in Hong Kong. Thus, as long as Hong Kong does not meddle with China, Sino-Hong Kong relations can improve and enjoy stability. At the high point of the cultural revolution, China's political instability had certain repercussions in Hong Kong, to be sure, but nothing that would cause Hong Kong to collapse. This was because Beijing had nothing to gain from seeing Hong Kong destroyed. After the Cultural Revolution China instituted policies of liberalized reform, the political situation moved toward stability, and, in the 1980's, the Chinese Communists enjoyed their finest hour since coming to power. At this time, exchanges between Hong Kong and China grew more frequent and relations grew increasingly intimate.

From this analysis comes the principle that "mutual nonintervention" between China and Hong Kong is a way to maintain good relations. This reasoning has taken hold in the minds of the people and has become the historical and theoretical basis for the demand by many that the Hong Kong Alliance in Support of the Patriotic Democratic Movement in China be disbanded as well as their desire to avoid criticizing or meddling in Chinese "internal affairs." Clearly, the Chinese Communists admire this stance, as it fits in with their strategy of beating back the forces of democracy at home and their foreign supporters. Since the 4 June incident, the Chinese Communists have repeatedly stressed that one of the primary causes of deteriorating relations between China and Hong Kong has been the Hong Kong people's "support of Chinese reactionaries" and their aim to overthrow the socialist system as it is led by the Communist Party which has been a major cause of domestic instability.

This is the real question—what is the cause of China's instability? Are the Hong Kong people responsible for the difficulties in Sino-Hong Kong relations? Is Hong Kong's future going to be given the ultimate in assurances even if we keep our distance from China and do not meddle in their domestic politics?

Before answering this series of questions, let us first try to take a macroscopic view and study the problem from a broad angle. Chinese officials frequently emphasize that Hong Kong is in no way an independent political entity.<sup>2</sup> We concur. Unless Hong Kong is made independent, there is no way we can become a political entity after 1997, and we will only exist as a constituent element of the greater Chinese political entity. In light of this, Sino-Hong Kong relations are a domestic issue for China. Especially after 1997, it will only be a matter of "relations between the central government and a special administrative region under its jurisdiction, that is, relations between the whole and one of its parts."<sup>3</sup> Relations here are not equal as between two political entities. If this were the case, then the problem would be quite simple. Just as between two independent, self-governing sovereign states, if the two sides agree to abide by such items of the five-point principles as not encroaching or meddling in the internal affairs of the other, then inevitably they can proceed to have friendly contacts. However, since Hong Kong is only a constituent element in the larger Chinese political entity, I doubt anyone would argue with Li Peng-fei and his assertion that Hong Kong should not stand in opposition to China. Since Hong Kong is only a part of the whole, then obviously one cannot talk of it being in opposition to China, just as a person will not beat himself in the mouth with his own fist. In reality, though the people of Hong Kong have the desire, they lack the ability to challenge or subvert China. The people of Hong Kong have always been quite realistic, resting content as long as Hong Kong is peaceful and stable, and not really having any active desire to involve themselves in China's affairs, aside from being concerned or grieved, no matter what actions China might have taken.

The people of Hong Kong, under colonial rule, have had only a dim sense of patriotism and nationalism. And the colony has provided a "circuit breaker,"<sup>4</sup> effectively cutting off any harassment that might come down from China. However, ever since the 1997 issue emerged, the Hong Kong people have no longer been able to remain "isolated" from the Chinese Communists as they were in the past. Though the Hong Kong people are resigned to their fate, are content with working to protect themselves and to build Hong Kong, and do not pay much attention no matter what happens with China, still, Hong Kong is only a part of the whole, and when a crisis occurs in any part of the whole (China), then we are bound to feel the impact right away.

Continuing in this vein, if Hong Kong is conceived of as an integrated organ in the body of China, then, if China's heart were to develop problems, this organ or component would naturally be threatened by the alarm. Supposing the worst-case scenario were to occur, once the heart stopped beating, the body as a whole is finished, and we, the integrated organ, would die along with it, no matter how well we kept our own part in order. Our common fates would be sealed, unless surgery managed to effect a transplant of our organ (Hong Kong independence).

This is what worries the people of Hong Kong the most. The Chinese heart has not stopped beating, but it does indeed have problems of a serious magnitude. To wit:

1. Myocardial exhaustion—The central authority has been weakened, and because of corruption, there is not and has not been an ability to deal with the crisis of political legitimacy brought on by the people.
2. Clogged up blood vessels—Channels of communication from top to bottom are obstructed, government is a maze of complexity, government organizations are fat and clumsy, and government commands are ineffectual.
3. Irregular heartbeat—The history of the Communist Party is one of never-ending power struggles and battles over ideological lines, and as a result, policies have flip-flopped too often, and it has been difficult to prolong any stability or cohesiveness.

Hong Kong can neither enjoy independence nor effect changes in China's rule. The only path remaining open for the Hong Kong people is to consider leaving. But what about those who cannot or do not want to leave? And if China's poor heart condition does not improve, or if it gets worse and brings on greater disturbances, how are we, as a constituent element of China, to protect ourselves? What worries us is not that the realistic people of Hong Kong are going to oppose the Communist Party and let themselves become very upset over it. What most worries us is what will become of Hong Kong after a regime with ruling problems grudgingly grants the Hong Kong people a genuinely "high degree of self-government." Herein lies the heart of the inquiry into Sino-Hong Kong relations, and, if we hope to find more favorable options, then it is here that we ought to begin our explorations.

Once the thunder of the 4 June incident had died down, there were many discussions in Hong Kong about how to best achieve stability. As the central government policy tightened up on the localities, Hong Kong, a base for "subversion" located on the "front line," naturally attracted greater concern. Immediately following the suppression of the student movement, the Chinese Communists and their adherents and agents in Hong Kong launched a public relations offensive to repair the damage, settle the people's minds, and at the same time, to keep Hong Kong people from participating in domestic democracy movements, and to set up a guard against attacks from "class enemies." After more than a year, they have achieved a considerable deterrence effect. Whether these discussions will prove to be correct in the end requires greater analysis.

During all of the many mass demonstrations in Hong Kong surrounding the 4 June incident, the slogan of "without democracy in China, there is no hope for Hong Kong" most effectively stirred up the people. Hong Kong's future hinges on making politics democratic, and democratization of China is the greatest assurance of a democratic future for Hong Kong. This truth is eminently clear. And of course, democratization is not solely a matter for the politicians, but is a matter involving the broad masses. What is required is that each person start with himself, establish a consciousness that each person is a principal, and cultivate a spirit of respect within for dissenters. It will be a long and arduous process for the people en masse to reach greater democratic achievements and to spread the teachings of democracy more broadly. However, "a journey of 1,000 miles begins with a single step," and this process cannot be delayed by even one minute.

Already the Chinese people have understood, through the May 4th Movement that was launched 71 years ago, that democracy is a necessary and urgent element of national construction. However, three-quarters of a century have passed, and what more have we accomplished? Many people are aware that talk must be supplemented by action and that we cannot embrace the conservative, catch-22 idea that "the Chinese have not accomplished much in the way of democracy, and so democracy will have to proceed at a slow and steady pace." We can only begin to see greater democratic achievements when democracy exists in the political system and in society. History has shown again and again that the feudalistic, patriarchal model of rule will impede and even smother the growth of tender seedlings of democracy, and that this will never stop even though we may demand democracy or cry out for basic human rights.

However, the basic truth that, "without democracy in China, Hong Kong has no future" is an unpleasant one for the Chinese Communists to hear, for it points out the urgency of democracy in China and the close relationship this has with Hong Kong's future. As a consequence, commentators have stressed that inevitably the Chinese Communists would follow an antidemocracy line after the 4 June incident, strengthen leadership of the party,

and oppose capitalist liberalizations. And, because basically there are no political forces strong enough to oppose the Communist Party today, if the Communist Party were to collapse, it could only lead to utter chaos. The conclusion is quite simple: Hong Kong's future hopes cannot be placed in high degrees of democracy in China. They can only be placed in a stable Chinese Government that holds true to the policy of "one nation, two systems."<sup>5</sup>

The question is how is China to attain stability? On what foundation must political stability be built to enjoy the highest degree of safety? History has shown that only political power founded on popular elections and possessing sufficient legitimacy can effectively establish long-term, stable political order. Lacking sufficient legitimacy and relying solely on heavy-handed political measures to defend the political power will inevitably lead to instability in the political order. Stability built on a base of strong-arm politics is weak and superficial because it embodies many elements of instability, and in the end it will lead to a serious crisis of rule. Today in China they emphasize that "stability prevails over all else." This shows that the rulers are intent on strengthening their control, and inferentially it confirms to us that the power of the Communist Party is being challenged, which itself is a source that prevents political stability. We might ask the Chinese in Hong Kong if we should risk our whole political future relying on this unstable foundation.

If we do not understand the crisis of rule that the Chinese Communists, as holders of the political power, are experiencing, then we can never truly grasp the key issues in Sino-Hong Kong relations.

From the above analysis, we can arrive at a preliminary conclusion. The Chinese Communists say that those in Hong Kong who would subvert China by "supporting domestic reactionary forces" are a primary cause of instability in Sino-Hong Kong relations. Here they have got it completely backwards. The instability in China's politics and in Sino-Hong Kong relations is due to the ruling crisis that the Communists have fallen into. The Hong Kong people are not responsible for unstable Sino-Hong Kong relations. The democratic movement originally was a healthy force designed to impel the Communist Party to make changes, and if this were not a peaceful and just undertaking, then how could it gain the support of the Hong Kong multitudes? If we adopt the stance that keeping our distance from China's politics and not acting as an "anticommunist base" would allow Hong Kong to maintain peace and prosperity, then we are overlooking the fact that Hong Kong is already a constituent element of the Chinese political entity. In the past 100-plus years, no matter what political unrest China experiences, it could not harm Hong Kong because the colonial rule of the British effectively acted as a "protective screen." And not only did Hong Kong not feel the effects of China's inner turmoil, but it acted as a safe haven for Chinese who sought to evade China's political turmoil. It was the hard work and efforts of these folk that made Hong Kong prosper. Today things

are completely different, as the people of Hong Kong look for ways to emigrate to other countries, knowing that Hong Kong's fate is now inextricably tied to that of China's. Painstaking efforts to avoid meddling in China's affairs are now of no use. We should not overestimate the strength of the Hong Kong people—they lack the ability to subvert China. The question is: If the Chinese political situation cannot get on track, or if it turns to chaos, how are we to protect ourselves? As Chinese, should the people of Hong Kong also get involved in the nation's affairs? If the Hong Kong people are to decide their own fate, then should they, like the Chinese of China, use their democratic rights to participate in national affairs?

Yet, the people of Hong Kong have been rebuffed on every front since the beginning. Needless to say, criticism of the Communists and assistance to members of the democracy movement have been viewed as subversion, and the opinions of the Hong Kong people, even on matters that intimately concern them such as the formulation of the Basic Law, have not been given respect. The Communists tightly controlled the drafting process from start to finish. If it were not so, then the Basic Law would have easily given the Hong Kong people their confidence and trust back.

Following the 4 June incident, the group of moderates known as the "Hong Kong Foundation" called on the Hong Kong people to "stand fast to their posts" and to "stay and build Hong Kong." Similarly, they fell into the unfortunate position of viewing the problem from an "isolated Hong Kong" standpoint. Why not inquire a bit into the main reasons the Hong Kong people cannot stand firm at their posts? The reason Hong Kong exists as it does today is because every person has expended huge efforts at his position. But things are precisely the reverse in China. The intellectuals' freedom of speech has been constrained so that they cannot work without worry; workers have no spirit, and are lazy and disorganized; the cadres, originally tasked with serving the people, are from top to bottom devoted first and foremost to lining their own pockets... No one sticks closely to his post in China, hence the current state of disorder in Chinese society. Hong Kong people do not want this, but are worried that this is what they will get after 1997. For their determination to emigrate to foreign lands, knowing there is no way they can stick to their posts in Hong Kong, we cannot fault them. It is the proximate result of outside factors. The loud exhortations to stick to one's post ignore how outside factors from China directly hammer at Hong Kong, and they can, in reality, only have the effect of deceiving and narcotizing the people.

Let us now analyze the inner core of Sino-Hong Kong relations from the standpoints of politics, economics, and society.

Can the Basic Law ensure a high degree of self-government for the Hong Kong Special Administrative Region in the future? Or, from a different angle, how

does the Basic Law restrict Hong Kong's right of self-government?<sup>6</sup> In my opinion, it is preferable to say that the Basic Law provides the central government of China with a legal tool to exercise strong control over Hong Kong, rather than to say that the Basic Law assures Hong Kong of a high degree of self-government.

First of all, as for the exercise of the rights of self-government, Hong Kong does not enjoy the right of all residual powers as would be so under a federal government system. The scope of Hong Kong's self-government is limited to the powers of administration and management, legislative powers, the right to an independent judiciary, and the power of ultimate judicial review (Article 2 of the Basic Law). However, even in these few areas Beijing has not given up total control, as it exercises quite effective supervision and restrictions so as to prevent Hong Kong's right of self-government from exceeding the designated scope. To wit:

1. The central government's appointment of the head administrator is a "key appointment" in that he has the power to veto the appointments of senior administrative officials elected by Hong Kong society. This is necessary to maintain the principle of China's sovereignty.

2. As for the legislative power, any enacted law that involves the central government's administration or Sino-Hong Kong relations can be disapproved and rescinded if the National People's Congress deems it in conflict with the Basic Law (Article 17 of the Basic Law).

Both of these are necessary, across-the-board defenses set up by Beijing to keep the upper hand, but they could lead to unfortunate results. For example, precisely what affairs involve the central government's administration? And inevitably there will be many laws passed that involve Sino-Hong Kong relations, as Hong Kong will become merely a constituent element of the larger Chinese political entity, and many matters will touch on the relationship between the central government and the local one. And assuming that certain democracy supporters in Hong Kong are labeled by the Communist Party as subversives who affect the stability of China and Sino-Hong Kong relations, what if the legislature passes a law allowing them to organize? Surely the National People's Congress will veto it. These provisions in effect severely restrict the legislative powers of the Hong Kong Special Administrative Region.

As for the powers of the judiciary and ultimate judicial review, the Hong Kong courts do not enjoy plenary power to interpret the laws of Hong Kong, particularly when they involve central government administration or Sino-Hong Kong relations, in which cases they must petition the Standing Committee of the National People's Congress for an interpretation (Articles 19 and 158 of the Basic Law). Furthermore, the powers to revise, interpret, and rule on the constitutionality of the Basic Law lie with the National People's Congress. The independence of the Hong Kong judiciary is, as a result, also severely restricted.

Beijing has also drawn up provisions to deal with emergency situations so that Hong Kong does not get out of control (Article 18 of the Basic Law). In addition to times when war has been declared, the Basic Law provides that, in situations of turmoil that threaten national unity and security, the central government can make China's national laws applicable to Hong Kong, which in effect means it will directly rule Hong Kong. Also, the Basic Law prohibits treason, acts of secession, incitements to riot, subversion of the central people's government, and contacts and the like with foreign political organizations (Article 23 of the Basic Law), so as to prevent Hong Kong from becoming a base for opposition to the one-party communist dictatorship.

Beijing's numerous prohibitory safeguards are designed to keep Hong Kong's right of self-government from exceeding the designated scope or being abused, and for this reason Beijing's supervision must be accepted.<sup>7</sup> Yet, does the placement of severe restrictions on the right of self-government help Beijing in its intervention during the transition period, does it give order to Chinese rule and make the state stronger than society, and when total blanket governmental control is extended to Hong Kong, is it then a farce to speak of a high degree of self-government? Beijing will not allow disturbances in Hong Kong to threaten national unity, and, if unity is deemed threatened, China will exert direct rule over Hong Kong. But looking at the obverse, what if disturbances happen in Beijing and the central government cannot effectively govern? How should Hong Kong deal with this? The Basic Law provides strict defenses to prevent turmoil in Hong Kong, but if chaos erupts in China and officials act to suppress it, what defenses do the Hong Kong people have to prevent the turmoil from crashing into Hong Kong? Before, British-Hong Kong rule provided a "protective screen," but from here on out, with restrictions placed on the right of self-government, how are we to manage when faced with a central government whose rule is susceptible to instability?

Beijing will not permit activities in Hong Kong that threaten Communist Party rule, and there are even provisions that permit the central government to enact laws for Hong Kong in the form of directives. The people of Hong Kong are very worried because: First, many actions can be interpreted as violating the provisions of the Basic Law prohibiting treason and the like, with the result that the rights and freedoms of both individuals and groups are stripped away and limited; and second, every nation under the rule of law prohibits illegal acts by the people to subvert the nation, and this is because the state organs are created by popular vote and possess an abundance of legitimacy. But when we are dealing with rule-by-man style of governmental power that does not arise from popular election, such prohibitions will quite likely serve only to inhibit the development of democracy and consolidate the rule of the dictatorship.

As for the political system, on the one hand the government that is created by the Basic Law system of government, some feel, is a weak government of limited

ability,<sup>8</sup> and it is not clear from where it derives its power. The power seems to come from both the central government and the local government, and the accountability relationships are not well laid out. And on the other hand, China hopes to "operate under a political order free from elections and parties" after 1997.<sup>9</sup> Two points to be noted in the design of the political model are: First, the popularly elected portion of the legislature will gradually increase, and the legislature's powers to check the acts of the senior administrator will also be limited. Second, because of the inherent incompatibility of "one nation, two systems," the sovereign aspects of the special administrative region will be severely limited lest Hong Kong turn into a bridgehead for bourgeois liberalization. A weak government is obviously conducive to direct governmental mandates from China, it helps China stay on guard against loss of political control in the special administrative region that might harm the nation, and it is in keeping with the logical development of communist political culture.

In sum, because it is based on the 1982 Chinese Constitution enacted by the National People's Congress, a body not elected by the whole people, and hence controlled by the Communist Party, the Basic Law can provide very little in the way of assurances to set the people of Hong Kong at ease. Thus, superficially the people's representatives have determined Hong Kong's fate, but at bottom, a handful of high-level party leaders have decided everything. Only when constitutionality becomes a reality in practice can the laws and policies transcend the rule by man and provide us with basic guarantees. [passage omitted]

What, ultimately, will happen to Hong Kong society when Hong Kong becomes a part of China? We can undertake a multilevel analysis on this issue through the use of the state-versus-society theory that is often employed in the study of political science.

The state is stronger than society under dictatorship rule, and when society is directed by the state we have a prime cause of dismal societal spirit. The state manages all affairs, large or small, and not only are individual rights and liberties not respected, but cultural, academic, and artistic development comes to a halt, with each and every activity allowed only insofar as it serves state-determined political objectives.

There can be no major problems in the relationship between the society of the Chinese people and that of the Hong Kong people. When Mainland Chinese emigrate to Hong Kong, they quickly blend in with the society and contribute to its prosperity. Frequent and close contacts between China and Hong Kong and various cultural and academic exchanges help the Hong Kong people to understand how Chinese society operates, and knowledge of the darker aspects of Chinese society forces the Hong Kong people to ponder on how they might deal with it. When Hong Kong people go back to China, it ultimately helps establish national consciousness and common cultural understanding. The Hong Kong people

must come to understand that their own fate is inextricably woven with that of the Mainland Chinese.

As for the state's attitude toward local government, the Chinese Communists have promised mutual nonintervention, but in fact have set up all sorts of restrictions, the details of which we have already discussed. A nation with a longstanding tradition of centralized concentration of power is most concerned with not seeing the locality secede or create its own standing army, and has no misgivings about establishing government by decree from the central authorities. Moreover, the power of the Chinese Communists is highly concentrated, is subject to no supervisory constraints, and cannot be transferred,<sup>12</sup> and the central government's exercise of control over the local government is in fact yet another opportunity for the exercise of power by a handful of high-ranking party members. Thus, it looks like our high degree of self-government will become only a fantasy.

So, what of the relations between the Chinese "state" and the "people's society" of Hong Kong? I imagine that when the time comes, the shadow of the state (that is, the Communist Party) will cast itself over every facet of Hong Kong society. We will run into state cadres at every turn, there will be numerous state organizations (funded by Chinese capital) in Hong Kong, we will frequently hear of state "directives" that will require us to act in accordance with the directives, and there will be quarrels and difficulties with state officials. The "state," that is, the Beijing regime under Communist Party control, will become a "sensitive" topic, and no one will dare criticize it openly.

In fact, state meddling in Hong Kong society has already gotten off to an early start. The forms of meddling can be lumped into four rough categories:

1. Active participation in the capitalist endeavor. With the Hong Kong economy flourishing, post-liberalization China naturally hoped to snag a share of the spoils in our capitalist marketplace, and even to become a main player. Yet, organizations funded by Chinese capital are complex organizational nightmares rife with corruption, and the people of Hong Kong do not think highly of them. In addition, they break the rules of the game by not operating according to capitalist rules, they cut the legs out from under mid-sized and small capitalists, and they came under heavy fire for these reasons last year. Originally, strengthened Sino-Hong Kong economic relations were a boon to both sides, but before learning the advanced production management techniques of capitalism, the Chinese went ahead and brought their own domestic methods to Hong Kong, and, as Liu Xiaobo [0491 2556 3134] put it, Chinese culture is a big crock-pot, and as China opens up, the sauce will spread to the whole world. In their economic dealings with China, the people of Hong Kong should not dream of trying to make binding contracts as is done in the West. Instead, they must come to understand the Chinese "art of contacts":

Seek out connections, curry favor with important people, offer bribes... all of which represents a step backward for Hong Kong.

2. They have stepped up their efforts to cultivate successors to run Hong Kong. The main mission of the Chinese and British during the interim period is to intensify the cultivation of trustworthy Hong Kong citizens who will step in as successors in every enterprise and field in the future. These individuals can be sought from among the ranks of born-and-bred Hong Kong citizens, or they can be cultivated from among the ranks of mainland-born Chinese who have come to Hong Kong. It does not really matter whether "mainlanders run Hong Kong" or "Hong Kong people run Hong Kong," those qualified to become leaders in the various areas in the future must, first and foremost, demonstrate loyalty to the Communist Party, and they will have to faithfully execute Chinese Communist policies. Of course, they will be Hong Kong persons based on their residence, but what real difference will there be between them and a person from Beijing?

3. They have strengthened their work to build a united front. The Hong Kong people are quite familiar with the united front tactics of "unite the majority and isolate the minority" and "unite friends and isolate enemies." However, many people in Hong Kong (including those in the democratic factions) do not entirely comprehend how this united front work is done because they do not fully understand the Chinese Communist Party and Chinese politics. The united front does not demand that you agree, it only requires that you do not take action that shows disagreement. Though you may hold and voice an opinion, it is up to the united front to decide whether to listen to it. The power is in the hands of the rulers, and if they do not want to listen to you, then you can cry out in vain until you are blue in the face, but, you may not challenge their power. Currently, in addition to attacks on individual leaders in the Hong Kong Alliance in Support of the Patriotic Democratic Movement in China and democratic factions, the Chinese Communists are now making deployments in every field, seeking out persons who are friendly to the party and who will contribute to unity. Naturally, these persons are accorded the generous treatment that is due to a "prospective high-level united front worker." And as they work for the united front they will earn even greater rewards. Today's Hong Kong has points of similarity with pre-1949 China: Many, particularly the intellectuals, harbor serious misgivings about the Chinese Communists, despite the fact that they are willing to stay here. But, the only desire of the Communists is to win the support of certain prestigious persons who are respected, such as famous members of the current democratic party. If the people do not trust the Communist Party, then they will trust these persons, and hence the Communists can work their persuasion through these folks and pacify a good number of people. Of course, many people in Hong Kong today have a very clear understanding about the Communist Party, learning



many lessons over the course of 41 years of experience that will make them difficult converts to the united front.

4. They have become involved in Hong Kong elections. The Communists have devoted themselves to cultivating sympathetic forces in Hong Kong. For example, the Labor Federation has been encouraged to actively participate in politics, and it has, through actual experience in elections and struggles, become much more adept in politics, the whole while being used by the Communists as a tool to win over more people. High-level members of the labor and business communities have also been encouraged to run in elections, and the combination of common interests has turned the Communists and the capitalists into an allied political force. However, there are no long friendships in politics because common interests are not certain to last long and, inherently, each party seeks to exclude the other.

What is the key to resolving strained Sino-Hong Kong relations? At this point in the discussion, the conclusion is abundantly clear. Hong Kong's future will not be problematic only if China's "heart conditions" heals and if there is a renewed establishment of a sufficiently legitimate political authority. Of course, "talk is cheap, it is action that matters." It is easy to explain what needs to be done to heal China. During this interim phase, at a minimum there are two things that must be done and done well: We must bring together the forces of democracy and unite the people, and we must come to thoroughly understand the Chinese Communist Party and its political culture. And when 1997 arrives, the successful work we have done in these two areas will exert a powerful force.

*(This article is the result of the collation and supplementation of materials I used in a lecture given in Taigu Hall at Hong Kong University on 23 October 1990.)*

#### Footnotes

1. See Huang Xingqun's interview with Deputy Director Wang Pingqin of the Hong Kong branch of XINHUA NEWS AGENCY, entitled "Hong Kong Has a Rosy Future," published in TZUCHING TSACHIH [REDBUD MAGAZINE], December 1990 issue, pp. 5-6. This portion was reprinted in many newspapers.
2. See Fang Da's article, "Views on Relations Between Hong Kong and China in the Immediate Future," published in WEN HUI BAO, 14 December 1990, 7th edition.
3. Article by Xie Ying, "More Talk on Sino-Hong Kong Relations," published in WEN HUI BAO, 14 December 1990, 7th edition.
4. This phrase was borrowed from Li Guangyao, who said that Sino-Hong Kong relations need something like a "circuit breaker" that disrupts the electric current to isolate Hong Kong from the influence of the Chinese Communists.

5. Article by Zeng Yucheng, "China's Democracy Movement and the Future of Hong Kong," published in HSIANGKANG MINCHU TAHSUEH T'UNGHSUN [HONG KONG DEMOCRATIC UNIVERSITY CORRESPONDENCE], 1st edition, 12 September 1989, p. 15.

6. See Lu Zijian's article, "How High Is 'A High Degree of Self-Government'?—Basic Law Restrictions on Hong Kong's Right of Self-Government," printed in *Into the Future: Hong Kong After the Enactment of the Basic Law*, published by the Hong Kong Social Science Research Association, 1990, pp. 32-43.

7. Ibid., p. 41.

8. Article by Zhang Bingliang, "A Look at Hong Kong's Future Political Order From the Perspective of the Political Model Created in the Basic Law," printed in *Into the Future: Hong Kong After the Enactment of the Basic Law*, pp. 23, 28.

9. Ibid., p. 17.

[Footnotes 10, 11 omitted]

12. See Xu Gang's interview of Yan Jiaqi in the monthly CHIUHUIH NIENTAI [THE NINETIES], December 1990, p. 102. Yan Jiaqi says that these are the three identifying criteria of a feudalistic dictatorship.

#### Beijing Unwelcome as Spokesman for Hong Kong

91CM0335A Hong Kong MING PAO in Chinese  
12 Feb 91 p 2

[Unattributed article: "Seventy-Five Percent of Those Interviewed Disagree With Having Beijing as Spokesman for Hong Kong"]

[Text] A Hong Kong-wide survey sponsored by this publication reveals that close to 75 percent of those questioned do not agree that the Chinese government should represent the people of Hong Kong before the 1997 transition. In addition, more than half of respondents do not agree with the Chinese government's approach on the issue of the new airport.

The survey was conducted by the Asian Commercial Research Company, Ltd., on 29 and 30 January. A total of 634 Hong Kong citizens between the ages of 18 and 64 were surveyed by telephone.

With regard to Chinese government officials' belief that the cost of the new airport is too high and that the Hong Kong government should not continue the airport plan until the two governments reach an agreement, survey results indicate that 57 percent of those surveyed do not agree with the Chinese government's attitude, 31 percent do agree, and 20 percent have no opinion.

In a comparison of male and female respondents, males seem more supportive of the Chinese government's



approach—37 percent of the males agree with the Chinese government's interpretation, while 55 percent do not. Among female respondents, only 25 percent agree with the Chinese government, while 59 percent do not.

As for which respondents are registered voters and which have not yet become voters, of the 57 percent that disagree with the Chinese government's approach, 33 percent are registered voters and 29 percent are not.

There are no clear divisions along the lines of age, educational level, or family income with regard to the degree of support for the Chinese government's attitude on the question of the new airport. When asked if they agree that only the Chinese government should represent the people of Hong Kong during the transition, 74 percent of respondents do not agree, 16 percent do agree, and 10 percent have no opinion.

Male respondents disagree more intensely with the idea that the Chinese government should be the spokesman for the people of Hong Kong: 76 percent disagree, while only 17 percent agree. Among female respondents, 25 percent agree that the Chinese government should be the spokesman, while 59 percent disagree.

The factor of age also clearly influences respondents' answers concerning the approach of the Chinese government. Among those between the ages of 18 and 30 years, up to 82 percent disagree that the Chinese government should act as spokesman, while only 12 percent agree. Among respondents between 35 and 64 years of age, 66 percent disagree, and 20 percent agree.

### **Cold Responses to Right of Abode in Britain**

91CM0335B Hong Kong MING PAO in Chinese  
18 Feb 91 p 2

[Unattributed article: "Eighty Percent of Survey Respondents Do Not Intend To Apply for Right-of-Abode Passport"]

[Text] A survey commissioned by this publication and carried out two weeks ago by the Asian Commercial Research Company, Ltd. reveals that, of 634 city residents interviewed, some 83 percent (526 people) have not applied for a foreign passport and do not plan to apply for a right-of-abode passport. The most frequently cited reason (31 percent) for not applying for a right-of-abode passport was a lack of qualifications, while 23 percent said they did not want to leave Hong Kong, and 13 percent said they had not thought about it or had no special reasons.

The survey also shows that in approximately 3 percent of households responding to the survey (roughly 200,000 households) someone is applying for a foreign passport, although only one-third are considering applying or have applied for right of abode. They responded with indifference to the question of the right of abode; some expressed feelings of attachment to Hong Kong and an anti-British attitude, although none said they were

deterred from applying because of the Chinese government's threat that it would not recognize right-of-abode passports. Several days ago, chief administrator Tseng Yin-ch'uan [2582 5593 2938] pointed out that temporarily there has been no jump in the number of those applying for right of abode, and part of the reason could be that citizens are worried about Chinese statements opposing right of abode.

Of those surveyed, 58 percent believed that the Persian Gulf war did not affect right-of-abode applications, 18 percent had no opinion, 18 percent believed that the war could impede applications, while 6 percent believed that it would accelerate applications.

As for the reasons that those without foreign passports were not applying for right of abode, 31 percent said that they do not have the necessary qualifications, and 3 percent stated that they were too old or were not born in Hong Kong. Those feeling that they in particular did not meet the right-of-abode application requirements were those over 44 years of age who had family monthly incomes of less than \$10,000 [Hong Kong] and who had not completed a middle school education. Some 33 percent of the respondents stated that they were fond of Hong Kong or were unwilling to go to another country to live. Among these, 23 percent said they did not want to leave Hong Kong and believed Hong Kong is one of the best places to live; 7 percent said they would not mind leaving Hong Kong for a short period, but did not want to leave for an extended period; and 3 percent said they would find it difficult to adapt to the lifestyle of another country.

Among those surveyed, 7 percent said that they did not like Britain. These feelings were especially intense among those who had retired and those who had received higher educations, with the proportions reaching 12 and 15 percent respectively.

In addition, 4 percent of respondents stated that it was too difficult to apply for the right of abode, or they felt that applying was a waste of time; 13 percent said they had not thought of applying; and 7 percent said they would begin considering applying since the survey had stirred their interest.

The survey shows that Hong Kong residents who have already obtained foreign passports are a comparatively highly placed group in terms of their average incomes and educational levels, although they are comparatively young. Compared to those who have already obtained a foreign passport, people presently applying tend to be retired and have higher qualifications or records of service. Those in the survey who do not have foreign passports and do not plan to apply for right of abode are at an average social level in terms of retirement and age, although they are below average in terms of educational levels.

This survey shows that approximately 10 percent of the adults (representing roughly 385,000 people) expect to leave Hong Kong before June 1997. Of these, 7 percent (representing 280,000 adults) already hold passports

enabling them to go to another country. Estimates are that another 100,000 people intend to obtain the necessary foreign passport.

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